

THE SAVINGS BANK AND ITS PRACTICAL WORK

A PRACTICAL TREATISE ON SAVINGS BANKING, COVERING THE
HISTORY, MANAGEMENT AND METHODS OF OPERATION
OF MUTUAL SAVINGS BANKS, AND ADAPTED TO
SAVINGS DEPARTMENTS IN BANKS OF DISCOUNT
AND TRUST COMPANIES

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"New York Savings Banks Cases,"
etc., etc.

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PREFACE TO FOURTH EDITION

In the vast aggregation of financial literature that has appeared during the past half century, the savings bank has had but a minor part. The most pretentious works have been historical, leaving the practical and legal side to be covered by papers and addresses and court decisions.

Some twenty years ago the author began to accumulate information on the various aspects of savings bank operation, which in the course of time assumed such proportions that a book on the subject was warranted. It appeared in 1913 under the present title and was then, as it is today, the only work on practical savings banking in the English language.

There were several obvious errors of judgment in the former editions, among them being the fact that the book was full of statistics, which quickly made it obsolete. The text was undignified in places, which destroyed its literary value. The former defect has been quite altogether cured in the present edition and the latter quite as much so. Except for changes in the law and in internal operation (which are slow of development) this work should not be greatly affected by the passing of time. Much new matter has been added to the former text and the entire work carefully revised, so that in its present form it is hoped that it may fittingly represent the institution which it aims to treat and adequately interpret the principles for which it stands.

W. H. K.

Rockville Centre, Long Island,
January 1928.

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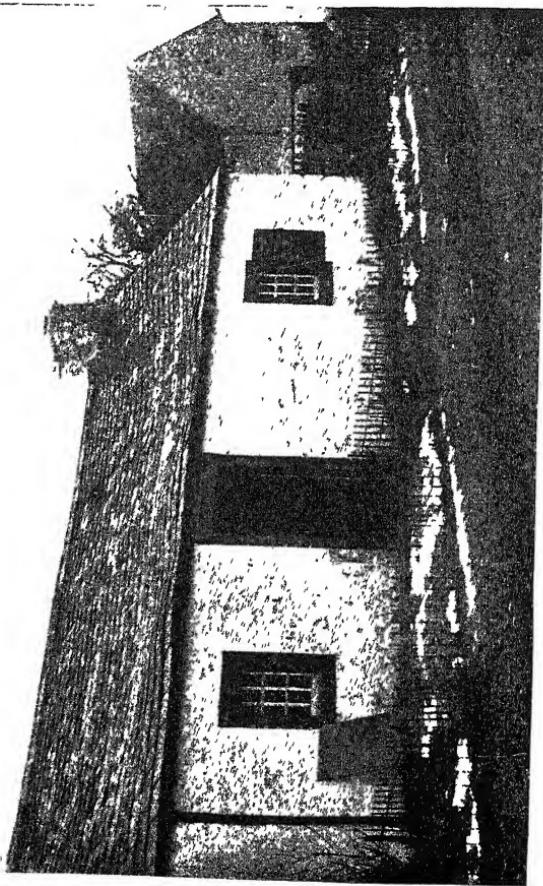
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THE FIRST SAVINGS BANK
It was in this cottage, which still stands in Ruthwell village, Scotland, that Henry Duncan organized the "first self-sustaining bank, and so arranged it as to make the plan suitable for the world at large. It was from this humble little building that the now world-wide movement sprang."—*Savings Bank Centenary*, p. 6, see also *Henry Duncan's Bank*, p. 7.



CHAPTER I

THE SAVINGS BANK MOVEMENT

Following upon the French Revolution and the horrors of that epoch-making crisis, statesmen, economists, and philanthropists in all parts of Europe set themselves to study what had been the prime cause of so terrible an upheaval of the old order of things, and found that while many and divers agencies had contributed towards the cataclysm, the main factor at work was the abject poverty of the lower classes and the legislative disabilities under which they lived. Each of the surrounding nations took alarm and bestirred itself, with more or less earnestness of purpose, to avert if possible the application of similar drastic remedial measures to its own special disorders. The ferment of reform was felt throughout the whole of Christendom, and was only stayed for a time by the Napoleonic wars diverting the minds of men from the main issue. Among the many ameliorative projects which were then advanced was the proposal to establish banks for the safe custody and increase of the small savings of the working classes. The resources of these classes, already meagre enough, had largely gone to waste owing to the lack of facilities for husbanding them, and as a result, on the advent of bad times masses of impoverished people, having nothing in reserve upon which to subsist, were a danger and menace to the State, and a cause of much anxiety to well-disposed and peace-loving citizens. It did not require much astuteness on the part of the level-headed Georgian to perceive that by making each individual a small capitalist the immediate source of danger would be averted. The economist of the day argued that if the ordinary working man were offered inducements to save, and were persuaded to lay apart in the coffers of the State some of his earnings, the fact of his possessing a small sum to his credit would stimulate a desire to have more,—develop a natural though latent acquisitiveness,—till ultimately the conclusion would be borne in upon him that he held some stake in his country. Being thus materially interested in its good gov-

ernment, he might safely be depended upon to uphold the powers of law and order as against sudden revolutionary outbursts or anarchy. He would be found maintaining a just attitude of respect towards property, and ranking generally as a peaceful, contented, and happy—because prosperous—citizen, a unit of power and strength to the commonwealth. Wages, however, at the beginning of last century were small, and neither the power nor the inclination on the part of wage-earners to save had been demonstrated. The project was ridiculed, damned with faint praise, and otherwise met with considerable opposition. Many were dubious of the success of the proposed banks, while others in the financial world conceived a foolish prejudice against them as probable rivals. Some men saw in them a danger to the finances of the State. But the idea was eventually proved to be sound in principle, and banks for savings soon sprang up all over the civilized world.*

While the savings bank movement owes its conception to such patriotic sentiments, it was essentially a religious movement; that is to say, it was connected with the church. The history of the early banks in England, Ireland and Scotland shows that almost invariably the banks were organized and, in a large measure, conducted by the clergy. The motives were doubtless twofold: first, to inculcate habits of thrift and industry among the people, and, second, as a result of this thrift, to rid the church of the load which poverty placed upon her finances. But however this may be, the primary motive was philanthropic.

The success of the movement, however, was due to the desire on the part of the thrifty to lay by in store for the rainy day. Without this desirable trait of character, the movement would never have succeeded, either abroad or here. These two elements—philanthropy and thrift—are necessary to the establishment of a mutual savings bank anywhere. They are the bed rock upon which it is built, and wherever such a movement is sought to be instituted we must first find these qualities to exist; for while philanthropy must establish, thrift must sustain.

It cannot be said—more's the pity—that every savings bank has been conceived in honor and conducted honorably; for history chronicles a different tale. The motives which

*W. A. Barclay, Jr., in *Scottish Bankers Magazine*.

prompted the establishment of many savings banks in New York in the 60's and early 70's were selfish and unworthy in the highest degree, and the management was reckless, improvident and criminal, as the history of those stormy days will demonstrate; but this era of bad banking was also an era of readjustment, and many of the banks that were never needed and should not have been chartered under any conditions, political or economic, were weeded out, leaving the fittest only surviving. How thorough was this work of elimination, and how good the management since, may be seen from the fact that since 1878 savings banks failures have been practically unknown in New York, and the losses trifling compared with the vast volume of business.

Considering the vast magnitude of the savings bank interests in New York, losses of less than a million in a period of over a quarter century, are insignificant. Had the scaling process not obtained, the losses would no doubt have been greater, which well justifies this feature of savings banking, as discussed more fully in the chapter on insolvency.

THE BIRTH OF SAVINGS BANKS

It has been claimed that the savings bank movement found its first literary advocacy in France, the first practical test in Germany, and the first statutory regulation in England. A French writer has asserted that the idea dates back to Hugues Delestre, who proposed such an institution in 1610.

The honor of establishing the first bank of this character is in dispute, being claimed for both England and Germany. Claims are also made that a genuine savings bank was established in Brunswick in 1765; Hamburg (page 4) in 1778; Berne, Switzerland, in 1787; Basel in 1792; Geneva in 1794.

Indeed it is even claimed that "Robinson Crusoe's father," Daniel Defoe, was the *original* savings bank man, for he not only was the first to propose that the bankruptcy laws be modified, but also drew up a scheme for a mutual marine insurance society, a friendly aid society, and a *savings bank*.*

In 1689, when about twenty-eight years old, Defoe con-

*Pamphlet issued by the Williamsburgh Savings Bank of Brooklyn in commemoration of the Scottish Savings Bank Centennial, June, 1910.

ceived a scheme similar to our savings banks, except that it was to be run by the Government. It was to be a *public benefaction*, while the mutual savings bank is a *private philanthropy*. His scheme was to have all wage earners of a community pool a certain amount of their earnings and place the pool at the disposal of the Government, the latter paying interest, and any member of the pool, upon proper claim, could draw out funds proportionate to his deposits whenever he needed them to tide him over an emergency. This scheme, while remote from what we understand by a savings bank to-day, was, in its fundamentals, similar to the conception of savings banks at the beginning of the movement in this country. The Bank for Savings in New York, chartered in 1819, found it impossible to obtain its charter until it showed itself to be a movement to alleviate poverty.

The idea of an institution where the wage worker might deposit his savings and withdraw them in whole or in part, as necessity demanded, *with interest according to the time left on deposit* (the elemental principle of savings banking), was first utilized in Germany in 1765 in the reorganization of a philanthropic institution (*Besorgunganstalt*) by a number of benevolently-inclined citizens of Hamburg. This was made over into a savings bank in 1778, operated especially for the industrial classes. The movement spread rapidly throughout Europe. The opportuneness of such an institution seemed to appeal strongly to the philanthropic sense of Christendom, *ministers and churches* being prominent in the work, especially in England.*

Concerning this matter, Mr. Lewins, in his "History of Banks for Savings in Great Britain and Ireland," remarks, that from the best investigations he has been able to make, the institutions in question were something very different from the savings banks as the English people understand them, dealing, as they did, in business more like the sale of deferred annuities. The institution at Hamburg† simply took the spare cash of domestics and hand-craftsmen and granted annuities on the members arriving at a certain age. *No withdrawal of money was allowed.*‡

*Hamilton, "Savings and Savings Institutions," p. 156.

†Napoleon swept this bank clean of its cash and gave it a death blow—Lewins, p. 18

‡Keyes History of Savings Banks, p. 16.

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Honorary members paid subscriptions which went to meet deficiencies and current expenses. In 1801 a fund was added from which loans* were made to members, and *also a savings bank*. The interest in the bank was the same as that charged for loans—five per cent. The expenses of management must, therefore, have been borne by the promoters, since no profit accrued on the deposits. Children could also deposit a penny a month. The management of this bank rested between the “honorary” and the “benefited” members.

The “Sunday Bank” (1808), at Hereford also savored of charity. This bank was “open” on Sunday mornings only, and received from sixpence to two shillings. About three hundred pounds per year was invested from 1808 to 1816. The money was repaid at New Years, with ten per cent. additional, through the help of charitable friends.

Jeremy Bentham, mentioned before, in 1797 established a “Frugality Bank,” and is also a candidate for the honor of being the pioneer savings bank man.

Which of these plans is entitled to the distinction of being the forerunner of the savings bank, as we know it today, is a matter of opinion. The granting of annuities and sick and death benefits has never been a part of savings bank work in this country until the Massachusetts banks were authorized in 1908 to conduct a life insurance department. The Massachusetts plan does not contemplate sick benefits, and confines itself to insurance and annuities. The bounty of the Rev. Smith, while partaking of the nature of interest, lacked one of the principal elements of interest calculations, *i. e.*, time.

The first “woman’s bank” was opened in 1808 at Bath, designed to receive the deposits of female servants, and was managed by four men and four women. No servant could deposit over £50, and no single deposit could ever exceed £2,000. Interest was paid at the rate of four per cent.

THE FIRST MODERN SAVINGS BANK

The first *modern* savings bank dates from May 10, 1810, the centennial of which was so admirably celebrated in June,

*These loans were directed particularly to enabling them to purchase necessities at wholesale prices or to supply themselves with articles for sale, materials for work, a *pig*, or any other thing likely to produce a profit. These loans were repaid in small monthly payments. Scratchley, p. 6. (A plan very much like the Raiffeisen banks [village banks] of Germany and other countries.)

1910, under the auspices of the Edinburgh Savings Bank, which dates from 1814.

To the Reverend Henry Duncan, of Dumfrieshire, Scotland, belongs the honor of conceiving the first *practical* scheme for a savings bank, the plan of which is given below, but which was greatly improved and simplified by the Edinburgh Savings Bank.

Dr. Duncan was a scholar, a friend of Thomas Carlyle and the celebrated Dr. Chalmers. The Dumfries community of lowland Scotch people was a good field (good because of the Scotch thrift), but hard, in which to test his plan; for to the poverty of the people was added the lack of wealthy men able and willing to help him in a financial way.

He found the condition of his parishioners in many cases very distressing. A series of bad harvests had raised the price of food. Labor was scarce; provisions were scarcer, and wages were low. He left no plan untried to ameliorate those conditions. His active and philanthropic mind soon came to the rescue. He employed many of them in ditching and draining, for he well knew that idleness soon engendered a distaste for work. He bought flax to be spun by the women, and imported Indian corn from Liverpool and sold it to the people in quantities, graduated according to the size of the family, so that better conditions were soon the result.

While studying the question of poor laws, he came across a paper called *Tranquillity*, which contained among much that was impracticable and visionary, the germ of an idea for enabling the prudent poor to *provide for themselves*, thus effecting an abolition of the poor rates. He set to work at once to develop the idea. His efforts met at first with little response, and had it not been that he had a passionate belief in the *system* itself, and the pertinacity to continue in spite of all opposition, it would have been difficult to carry the matter through; but to his lasting honor, he achieved his object single-handed.*

HENRY DUNCAN'S BANK

The Rev. Henry Duncan's Bank, at Ruthwell (1810), Scotland, was the first *real* savings bank of which we have record. Dr. Duncan seems to have grasped the fact that the savings bank should first be thoroughly *organized*, and

*Sketch of Rev. Henry Duncan in the Savings Bank Centenary Memorial.

that while philanthropic in its *management*, is far from being a charity in its *benefits*. He was a scholar—a thinker—and one whose acquaintance was sought by the notable men of his day. He *reasoned* that “the only way by which the higher ranks can give aid to the lower in their temporal concerns, without aiding them to their ruin, is by affording every possible encouragement to industry and virtue, and by judiciously rewarding extraordinary efforts of economy.”

He *concluded* that even in the poorest family there are odds and ends of income which are likely to get frittered away in thoughtless extravagance. He *planned*, therefore, to induce the people to comprehend the value of saving; to reward them from the interest from investments and not from charitable contributions; to run a bank upon the *earning power of money* at work rather than the generosity of friends. He probably did more than any other agency to establish the savings bank idea on a logical and business-like basis. Having nothing but the usual Scotch community, sparsely settled and poor, as his field, the wonder is that he succeeded at all. “Few parishes,” we are told, “presented so many and such unusual obstacles to the progress of a scheme of this kind. Almost every adult member of the parish belonged to some Friendly Society, and many of these found it difficult to fulfill their agreements.”* It was his “hobby,” and he rode it to success, traveling, writing, and speaking extensively in the interests of his pet scheme.

Duncan’s Bank (banks everywhere are called after the name of the man most prominent in the management, and we here follow the common practice) was *over* organized and had more elaborate machinery than any hundred-million-dollar-bank of to-day. It had three classes of members: (a) Ordinary—the poor who deposited; (b) Extraordinary—who paid into an auxiliary fund a certain amount (this has its counterpart in the New Hampshire “guarantee savings bank”); (c) Honorary—who paid a larger sum into the auxiliary fund. The bank was managed by a “Court of Directors,” consisting of the Governor, five directors, the Treasurer, and one or more trustees, chosen from the honorary and extraordinary members. This court acted under the supervision of a Standing Committee of fifteen men chosen from the members. The last named bodies were sub-

*Lewin’s History of Savings Banks in England and Ireland, p. 32.

ordinate to the "General Meeting," composed of all members of the last two classes, and all ordinary members of six months' standing.

In some respects Duncan's scheme still obtains in Maine and Vermont at this time. In the former State the *corporation* consists of thirty members, from whom are elected five *trustees*; in the latter, fifty members constitute the *corporation*, from whom are elected seven trustees.

OBJECTIONS TO DUNCAN'S PLAN

The part of Duncan's plan most open to objection was the penalizing of those who failed to deposit a small sum during the year—a feature that is foreign to the savings bank idea and is not in vogue to-day anywhere unless it be in Germany, where, in municipal banks, depositors obligate themselves to deposit weekly, and if they fail to do so, the bank reserves the right to close out the account. The second objectionable feature was the fact that every depositor's record was *investigated* before he was permitted to deposit. His age, family affairs, moral conduct, etc., were looked into and if the report was favorable he was allowed to "join the bank," and *the rate of interest to be allowed him was decided upon!*

The only modern instance of this idea is found in the Raiffeisen banks of Germany, wherein *character* forms the basis of membership; but this test is largely due to the fact that members are permitted to borrow, and character there, as everywhere, forms the groundwork of credit.

Depositors of three years' standing, having £5 to their credit were paid five per cent., provided they wanted to get married, while the others received but four per cent. After a depositor became incapacitated for labor, a weekly allowance was made out of his own savings at the option of the court of directors.

The auxiliary fund contributed by the honorary and extraordinary members was used to provide premiums for those being the most regular in their deposits, especially for those "who should have exhibited proofs of superior industry or virtue."

The idea of making the savings bank a self sustaining institution, as embodied in the Ruthwell bank, was widely adopted, and such banks sprang up in various parts of Eng-

land, Ireland and Scotland; it being estimated that there were over two hundred such banks when the movement spread to this country in 1816.

Savings bank historians are agreed that Dr. Duncan did more than any one man to reduce the plan of a savings bank to a practical working basis. It is true he did not conceive the idea, but he worked it out, made it practical, and adapted it to the existing conditions. He is, therefore, in a sense, the founder of the present savings bank movement, since his was the first self-sustaining bank, operated on a plan adaptable to the whole country. In honor of Dr. Duncan, who died in 1846, a "savings bank house" was erected to his memory at Dumfries. If, as Emerson says, "Every great institution is the lengthened shadow of a man," the savings bank must therefore be the lengthened shadow of Henry Duncan.

IMPROVING THE PLAN

The rules of Dr. Duncan's bank were brought to the attention of the "Edinburgh Society for the Suppression of Mendicity," which resulted in the formation of the Edinburgh Savings Bank in 1814. The Edinburgh bank was modeled somewhat after the Ruthwell bank. In fact it improved upon Duncan's plan and operated with less "red tape." It also was open but one hour a week, but required no investigation prior to opening an account, and deposits and drafts could be made at will, but not less than one shilling could be deposited. All depositors were paid the same rate of interest. It is in this bank that we find the first of the savings bank methods to be universally adopted and steadily adhered to until this day—*i. e.*, the pass book. It was at first a duplicate page of the deposit record, but later took the form of a pass book. The expense of conducting these banks was kept at a minimum, and in many cases there was no rent, salaries, or other expenses save that of stationery. This was true also, in a measure, of many of our well-known savings banks of to-day. The trustees, at the beginning, acted as executive officers for an hour or two each week until the business warranted the employment of a salaried man, and even then the compensation was extremely modest. In fact, the expenses of the savings banks to-day are kept at a reasonable figure, it being not uncommon to

find a three-million-dollar bank conducted for less than \$10,000 a year. Economy has ever been the watchword, there being, of course, exceptions to this as to all rules.

The Provident Institution for Savings of Bath (1815) invested its deposits in public funds—another of the permanent features, but varied its interest according to the price of the funds on the day when the investment was made for the depositor.

The Provident Institution of Southampton (1815) required notice of withdrawal—one of the safeguards now quite universally provided for by law. The originator of this bank was also a clergyman, and agents (usually clergymen) in neighboring parishes were authorized to receive money for account of the bank, but the institution assumed no responsibility until the funds were received by it. The Exeter Savings Bank (1816) had sixty branches, of which the only example to-day in this country is the Massachusetts law which permits essentially the same thing. A most peculiar feature, and one which many people still seem to think is operative to-day, is found in a little bank in Ireland, called the "Parochial Bank," at Stillorgan (1815). This bank was founded by the parish priest, who kept each depositor's money by itself, showing the same upon request, and permitting the depositor to count it over and add to or subtract from it at will. The preacher evidently followed the parable in the Good Book and, instead of adding to his ten talents, "wrapped them in a napkin and buried them."

EARLY PROBLEMS

Two other features remain to be mentioned in this connection, namely, first, the *safety of principal*. In the debates which followed the introduction of the first savings bank bill in Parliament in 1817 and various times thereafter, the paramount question was, how to invest the deposits of these banks so that *absolute security* would be afforded as to the principal. Mortgage loans were discarded as risky, and Government securities, only, were allowed. Safety has been the underlying principle of savings banks ever since, and they have departed therefrom at their peril.

The second problem came as a result of the success of the savings bank movement. Abroad, as in this country, the wealthy classes soon "discovered" these banks. One man known to be worth £40,000 was charged with having large

deposits in savings banks in the names of his children. The savings bank rate being better than current rates obtainable in other lines, the banks were deluged with deposits from the well-to-do, resulting in a measure restricting the amount that could be deposited in any one year. Some banks voluntarily limited their facilities to all but mechanics, servants and others of small means,* while many were open to all. Even this regulation proved ineffective, for the people soon discovered the idea of opening *fictitious trust accounts*, one man having seventeen books in this manner. The law of 1844 provided that the relationship between the parties be stated, and that *no funds should be paid unless the receipt was signed by all the parties to the account*. This was to be made retroactive, and caused great consternation; but was finally made to apply to future accounts only. The experiences of the banks in this country have been along similar lines, and when the savings bank rate proves more attractive than other investments, the wealthier classes are to be found using the banks in preference to making private investments. For instance, along about 1895—1900, when four per cent. could be obtained in some banks, while the rate on high-grade bonds was in the neighborhood of three and one-half per cent., the large depositor was quick to avail himself of the "limit account." So noticeable has this become that some banks have done as the early English banks were forced to do—limit the amount that may be deposited within a certain period; as, for example, one large bank in New York limited the amount to \$500 in any period of six months, upon the theory that *any sum beyond a hundred dollars a month cannot be "savings,"* and therefore does not properly belong in the *savings* bank. In a large measure they are right. The Englishman found the speculative accounts undesirable; the American has come to the same conclusion. A perusal of the savings bank cases in the New York courts will demonstrate that we, too, have had the trust account problem with us; and it is not solved yet. The Englishman's problems have been handed down to us.†

*The Bowery Savings Bank at one time in its early history was so troubled with undesirable deposits that they passed a resolution not to take any money except from "widows, orphans, single women and minors"—a rule they could not long enforce.

†Much of the historical matter in this chapter appeared in the *Banking Law Journal*, January-March, 1911, under the title "Savings Bank Systems of the World," and under the same authorship.

CHAPTER II

THE SAVINGS BANK MOVEMENT IN THE UNITED STATES

The savings bank movement in England was a success. The fact that gross and inexcusable frauds* crept in and cast discredit upon the *system* and entailed severe losses upon depositors did not prove that the *idea* was wrong—it proved rather that there were weaknesses in the methods by which the idea was carried out. The banks met a popular need, and served their purposes admirably, and in spite of criticism (in many cases justified) and “being damned with faint praise,” the movement was bound to spread. It did spread throughout England, Ireland and Scotland, and finally crossed the Atlantic. This was but the logical result of the close relationship existing between England and the United States.

The conditions that obtained at the close of the French Revolution in Europe were in a measure to be found in this country at the close of the American Revolution. The country was drained of its available resources; the people were poor, and their riches lay solely in the undeveloped resources of a new country. It would not seem to have been a propitious time for the establishment of a *savings* bank. The development of the country readily absorbed what little capital the people had, and while rainy days were to be expected, little or no provision could be made for them. The perplexing problem of poverty was unsolved, and although the call for some remedy was urgent the attempts to better conditions were in the main futile.

EARLY ATTEMPTS TO BETTER CONDITIONS

In the attempts to improve the condition of the people, not only were “dense gropings in the dark” the order of the day, but even natural laws were sought to be set aside by

*See Chapter on Frauds in Lewin's History.

legislative enactment. Of such nature was an act "to regulate the wages of mechanics" in New York in 1778, which collapsed of its own weight. An act in 1779 to afford "general relief" to the poor, and another in 1780 to limit prices serve to indicate the lengths to which well-minded people went in order to solve the economic problems of the time.

Sick and aid societies were organized, educational institutions promoted, and even lotteries were legalized as a means of improving the condition of the poor. Tammany Hall, now famous as a political organization, was first instituted in 1805 as a society to "afford relief to the indigent and distressed members of the association, their widows and *others*"—an object which they seem to have accomplished. Keyes, the historian, gives a list of forty institutions organized in New York about this time, all seeking to ameliorate the prevailing poverty.

THE MOVEMENT SPREADS TO THE UNITED STATES

Just how and when, and in what boat the savings bank idea came across the Atlantic is uncertain. It is conceded that Patrick Colquhoun, a local magistrate of London, wrote Thomas Eddy of New York, in April, 1816, sending under separate cover, the plan of a savings bank then being formed in London. Mr. Colquhoun is also mentioned for honors in introducing the first comprehensive scheme for a national savings bank in Parliament in 1806. A similar pamphlet also fell into the hands of Hon. James Savage of Boston in 1816, and the first public announcement of a savings bank in this country appeared in the *Christian Disciple*, a small religious paper, in December, 1816. This article states that a meeting has been called to consider plans and to make application to the Legislature, then in session, for a savings bank; that similar institutions exist in England and Scotland, and one such is *proposed* for Philadelphia. The plans of the Boston bank must have been well matured at this time, for the "Provident Institution for Savings in the Town of Boston" was chartered on December 13, 1816. "This," says Keyes, "was the first *public act of legislation in the world* which recognized the beneficent character of savings banks and invested them with the sanction and protection of the law." The population of Boston at this time was about 35,000, and in five years the deposits of the bank were

\$600,000, the surplus \$6,200 and the interest one per cent. quarterly.

NEW YORK

The Evening Post of December 2, 1816, gives an account of a meeting held on November 29, 1816, at the City Hotel, New York, to organize a savings bank, in which Mr. Eddy prominently figures, and which, no doubt, was inspired by the aforesaid pamphlet. DeWitt Clinton was one of the directors, and Thomas Eddy, Jr., was appointed cashier. No other notice of a meeting appears until April 5, 1819. By this time the Boston bank had become of considerable size. In a letter to Mr. Colquhoun, as of April 9, 1817, Mr. Eddy states that he has proposed such a scheme to several of his friends, and the matter is before the Legislature. The Legislative committee was not convinced that a savings bank in this country would do all the good claimed for it; hedged on the question of expense, and suggested that a savings department (to use a modern term) be opened in the then-existing banks, and a clerk paid a little extra to run it. The bill did not get through, largely on account of the fact that it was a bank that wanted a charter, and banks were not particularly in favor with the makers of laws at that time. Had it been a "society" or an "institution" (this accounts for the use of this term in many bank titles to-day) or a "company" it might have had a chance; but a "bank bill" meant a fight.

At a meeting of philanthropically inclined people in New York, held December 16, 1817, to discuss measures to alleviate the prevailing poverty, it was proposed, as a remedy, to establish a savings bank, "such associations being already in operation in Europe, Boston, Philadelphia and Baltimore." Soon after this, at a meeting held at a private house in William Street, a motion was made by Mr. John Griscom (who made a like motion November 29, 1816) that a savings bank be organized, which was soon afterwards done at a meeting held in Chambers Street, and the Bank for Savings was formed, but not chartered. Thomas Eddy was present at the meeting in William Street, and probably also at the one in Chambers Street. DeWitt Clinton, who was elected governor in 1817 and who was present at the first meeting, in his first message considered savings banks among the institutions "highly deserving the public patronage."

On Friday, March 26, 1819, after many vicissitudes, and

having been able to convince the hostile legislators that such a bank could do no harm and might do some good, the bill was passed and the Bank for Savings became a corporation, as Governor Clinton put it in his next message, "to cherish meritorious industry, to encourage frugality and retrenchment, and to promote the welfare of families, the cause of morality, and the good order of society."

The Albany Savings Bank soon followed the Bank for Savings, in 1820.

PHILADELPHIA

It is remarkable that while savings banks in the United States had their first practical test in Pennsylvania, in the form of voluntary associations, they have never had the growth either in numbers or resources that has attended the introduction of savings banks in other Eastern States. The need for such a depository, or, rather, thrift agency in the Keystone State, is met by building and loan associations.

On or about the 20th of November, 1816, Mr. Condé Raguet, having noticed in the recently received English journals an account of the establishment of savings banks in that country, and meeting on the same day, when on his way to his office, Mr. Richard Peters, Jr., at the southeast corner of Fourth and Chestnut Streets, introduced to him the subject of the expediency of establishing a similar institution in Philadelphia. They subsequently, on the same day, met Mr. Clement C. Biddle and Mr. Thomas Hale, and these gentlemen, at the office of Mr. Biddle, discussed and agreed upon the propriety of establishing a savings bank in this city. It was decided to call a meeting of a few prominent citizens on the following Monday to consider and at once to act upon the suggestion of Mr. Raguet.

Accordingly, on Monday, November 25, five of the twelve gentlemen who had now agreed to unite for the purpose of establishing a society after the plan of the savings banks of Great Britain—namely, Condé Raguet, Thomas Hale, John Strawbridge, John C. Stocker, and John McCrea—met at the office of the Pennsylvania Life Insurance Company in South Second Street, of which company Mr. Raguet was the president, when it was determined by these gentlemen to establish a society under the direction of twelve managers, afterwards increased to twenty-five, for the purpose of receiving and investing small deposits. At

this meeting Mr. Raguet submitted the plan of such an association, with some English and American publications explanatory of the objects and principles of savings banks. This plan, after some discussion, was amended, and at an adjourned meeting adopted and constituted the "Articles of Association" under which "The Philadelphia Savings Fund Society" was organized. Andrew Bayard, Esq., at the same meeting was unanimously elected the president of the society.

The plan of the association having been acted upon, the necessary officers elected, committees appointed to con-

No. 1	Curtis Roberts	Dr.	Cr.
1816			
Dec. 2	By Cash	1	5.00
1817			
April 21	" do	4	5.00
1818			
Jany 1	" Interest	14	40

Jany 1	" Balance		10.40
1819			
Jany 1	" Interest	57	48

			10.88
Mar. 31	By Interest	79	12
Apl. 1	To the Philada Savings Fund Society	86	11

THE FIRST SAVINGS BANK ACCOUNT OPENED IN THE UNITED STATES—ACCOUNT NO. 1 IN
THE PHILADELPHIA SAVINGS FUND SOCIETY—BY COURTESY OF THE SOCIETY.

(MR. ROBERTS LIVED AT 308 CHESTNUT STREET AND GAVE AS
"REFERENCE" MR. CONDY RAGUET.)

duct the business of the association, by-laws adopted, and the contingent expenses provided for by the voluntary contributions of the managers, the business of the association was commenced and continued up to the 31st of March, 1819.

On the 25th of February, 1819, an act of the Legislature incorporating "The Philadelphia Savings Fund Society" was approved by the Governor of this Commonwealth, and accordingly the trustees under the articles of the association—namely, William Jones, the president, and Jonathan Smith, the cashier of the United States Bank—transferred all the assets to the incorporated society.

On Monday, December 2, 1816, the office of the society was first opened for the transaction of business on the west side of Sixth Street, nearly opposite Minor Street, next door to Rubicam's well-known tavern.*

At this time savings banks were also voluntary associations in England, none having been incorporated in either country, and it is but natural that the first bank here should take on the same character as the banks over there. No restrictions were placed upon the managers, as to investments, and to this day the laws of Pennsylvania are not strict or explicit in this regard, as strictness and explicitness is understood in New York.

In this bank each corporator contributed ten dollars toward a fund of \$250, with which to defray expenses, a sum hardly large enough to carry one of our newer savings banks a month. The managers took turns here as in many other early savings banks in performing the clerical labor, since the fund was not large enough to employ any clerks. At a meeting of the savings bank men of New York Chapter, A. I. B., February 14, 1911, Mr. Andrew Mills, president of the Dry Dock Savings Bank, told of finding an old charge on profit and loss account of ten dollars for a *brass medal* which one of the trustees had taken in for a ten-dollar gold piece.

BALTIMORE

Incited, no doubt, by the examples of Philadelphia, New York and Boston, Baltimore philanthropists met on January 1, 1818, to organize the "Savings Bank of Baltimore," for the avowed purpose of "receiving deposits of such small sums of money as are the profits of industry and economy, and investing the same in public stocks, or such other safe securities as may from time to time be deemed expedient." The first deposit was received March 16, 1818, and for some time the office was open but a few hours on one day in the week (as was the case with many if not all the early banks), and except the services of a secretary at a small salary, the work of receiving and paying money was performed by the "monthly attending committee." Provision is still made for this attending committee in many banks, but the duties are now perfunctory only. The Baltimore bank was so suc-

*Sketch of the origin of Philadelphia Savings Fund Society.

ssful that it was chartered in December, 1818, being the *cond* of its kind to be chartered in America and the *third* open its doors.

For chronological purposes the following from Paine's Banking Laws, page 56, will summarize the introduction of savings banks in this country:

- (1) Philadelphia Savings Fund Society, organized in 1816 as a voluntary association. Began to receive deposits December 2, 1816. Chartered February 25, 1819.
- (2) The Provident Institution for Savings in the Town of Boston, incorporated December 13, 1816.
- (3) The Savings Bank of Baltimore, incorporated December, 1818. First deposit March 16, 1818.
- (4) Bank for Savings, New York (first conceived in 1816), chartered March 26, 1819. First deposit July 3, 1819.

New York was, therefore, the first to institute the movement; Philadelphia the first to put it into practice; Boston the first to legalize savings banks.

CHAPTER III

THE NATURE AND FUNCTIONS OF SAVINGS BANKS

Before proceeding to treat the savings bank in its broader aspects, as a corporation receiving money on deposit and for investment, keeping books, making contracts, and figuring interest, let us look into the institution itself and get a comprehensive idea of *what* it does before attempting to show *how* it does it. We can have no better starting point than the simple question, What is a *savings* bank?

WHAT IS A SAVINGS BANK?

The legal mind is generally careful about its definitions, and it will be time well spent to inquire what the courts have said about savings banks; and most of all, how they define them. In the case of People vs. Binghamton Trust Company,* the court defined a savings bank as "a charitable institution, the sole corporate purpose of which is to securely protect money deposited up to a certain fixed amount by individuals, and, by investing it in such limited and prudent ways as the legislature has prescribed, to secure safe and moderate return by way of interest upon the moneys held." In the case of Hun vs. Cary, a leading New York case, the court said: "Savings banks are not organized as business enterprises. They have no stockholders, and are not to engage in speculation, or money-making in a business sense. They are simply to take the deposits, *usually small*, which are offered, *aggregate them* and keep and *invest them safely*, paying such interest to the depositors as is thus made, after deducting expenses and paying the principal on demand. It is not legitimate for the trustees of such a bank to seek depositors at the expense of present depositors. *It is their business to take deposits when offered.*"†

*New York Savings Bank Cases, p. 15.

†New York Savings Bank Cases, p. 2.

The Supreme Court of the United States has said: "It (the savings bank) is not a commercial partnership, nor is it an artificial being, the members of which have a beneficial interest in it. Nor is it strictly eleemosynary. Its purpose is rather to furnish a safe depository for the money of those members of the community disposed to trust their property to its keeping. * * * *Its purpose is a public advantage, without any interest in its members.*"

IS THE SAVINGS BANK A CHARITY OR A PHILANTHROPY?

Continuing the same thought, Paine's Banking Laws (N. Y.) says: "It may not be considered out of place to state that under no proper construction of our statutes are the savings banks of this State (New York) *charitable* institutions; and the frequent designation of them as such has become odious. As constituted and regulated by law, they are, strictly speaking, *benevolent* institutions, and while the two terms are, to a certain extent, synonymous, they have a widely different significance when applied to our savings banks.

"He who has more than his necessities compel him to expend for the support of himself or family and has a remainder to loan or save, though trifling in amount, is in no sense an object for charity.

"A natural person who is liberal in his benefactions to the poor, thus relieving them in distress, and an artificial entity which relieves the needy by the giving of alms, are properly termed charitable, while he who has a disposition to do good, who possesses a love for mankind and a desire to promote their prosperity and happiness, and a corporation based upon such disposition and desire, are accurately termed *benevolent*.

"While the motives which primarily brought about the establishment of 'banks for savings of the poor' or to receive 'surplus earnings of domestic servants,' were in the beginning wholly philanthropic, yet the whole character of the institutions which followed these so-called banks has changed. The use of an expression which savors, however remotely, of the giving of alms must needs be peculiarly offensive to the thousands of our citizens whose self-denial is represented by the deposits of (now 1927) nearly four billion dollars held in the savings banks of this State."

The courts usually look upon savings banks in the light of *investment institutions* rather than banks, as we ordinarily understand the latter term. By an investment institution is meant "an organization which combines the savings of its members for investment on their account."

Thus, in the case of *People vs. Ulster County Savings Institution*,* the court said:

"Savings banks are quite unlike ordinary banks. Commonly banks are business corporations, have stock and stockholders and paid officers, and conduct their affairs with a view to profit. Their relation to their depositors is in no sense one of trust. They receive deposits to be paid upon the check or draft of the depositors without interest or addition. Their profits, if any, are distributed among their stockholders, and the losses fall upon them, and their property is subject to sequestration at the suit of any creditor.

"A savings bank is an institution of quite a different character. Its relation to its depositors is in a large sense one of trust and confidence. It has no stock and stockholders. Its depositors are not entitled to draw checks against it. It does not receive deposits to be paid upon demand simply, but for investment in securities taken for the benefit of the depositors. Its assets are held for distribution among depositors ratably, and its losses fall in like manner upon its depositors."†

The chief business of a savings bank is to receive deposits, invest them in certain classes of securities specified in the statute, and pay to the depositors the amount due them either in whole or in part, as they may from time to time demand. It has no authority to do a general banking business, not even to engage in the business of discounting bank paper.‡ The principal features of a savings bank are that they offer safe security with small interest *with no profit to the managers*, as contradistinguished from a larger rate of interest and less security.§

Whether a bank is a savings bank or not depends not so much upon its name, as upon its *functions*. An institution that does a business similar to a savings bank is not by that token a savings bank, nor does the acceptance of deposits in

**New York Savings Bank Cases*, p. 9.

†For further treatment of this subject see "Insolvency."

‡*Bradée vs. Warren Five Cents Savings Bank*, 127 Mass. 107.

§*Barrett vs. Bloomfield Sav. Inst.* 64 N. J. Eq. 425.

the same manner as a savings bank indicate that it holds itself out as a savings bank. To be a savings bank it must first be regularly incorporated and thereafter do a *regular savings bank business*.

In proceedings brought by the Attorney-General of New York to recover the legal penalties for violating the banking laws of New York, and seeking to show that a trust company, by accepting savings deposits, thereby held itself out as a savings bank and solicited business as such, it was ruled that doing business *similar* to that of a savings bank and in a similar manner did not of itself constitute a violation of the statute forbidding such practices in defense of savings banks. The facts were as follows: The Binghamton Trust Company advertised for business. They did not pretend to be anything but a trust company, and held out no false inducements, but rather emphasized the fact that they were a trust company, and thereby a better institution in which to deposit money than a savings bank. They issued passbooks in the "interest department" very much like the regular savings bank pass book. These books contained rules and regulations stating the hours of business, the fact that the book must be presented at time of deposit or withdrawal, that the company reserved the right to demand notice of payment, the rates of interest, the right to refuse and close accounts, the rules relating to deposits of minors and procedure in cases of lost books, and that the acceptance of the book evidenced compliance with the by-laws and rules, all of which were undoubtedly borrowed from the savings banks. Circulars and other advertisements were put out inviting accounts, and laying special stress on the fact that trust companies had capital stock, while savings banks had none; that this was an extra guarantee, etc.

The court, in deciding in favor of the trust company, said: "I do not think that savings banks, however closely in the public interest they should be guarded, should be accorded monopoly of a set of rules. The prohibition is that an institution shall not solicit or receive deposits *as a savings bank*, and not *as a savings bank solicits or receives deposits*." (Italics our own.)

In keeping with the foregoing, let us evolve the following definition of a savings bank: "A savings bank is a mutual institution conducted without profit to the managers, for the

purpose of receiving on deposit and for safe keeping such sums as may be offered, limited by the law of the State, and investing the same for account of the depositors jointly and severally in such manner as shall be prescribed by law, and paying to the depositors as interest all the earnings of the institution except the amount paid for expenses and such part as may be set aside and held in reserve as a guaranty fund for the benefit and protection of all."

To a very large extent, the savings banks that conform to the above definition are located in the Eastern and the New England States. There are, however, a large number of banks with the word "savings" in their title to be found elsewhere. To conclude that these are true savings institutions, or to include them in the same category as the savings bank, is to admit that the bank of discount and the savings bank are one and the same institution. The one feature concerning savings banks that I have found most difficult to explain to the uninformed or misinformed is the mutuality of interests. Or, to put it differently, the lack of capital stock. The average man cannot understand how a bank can be established without stock, and the absence of this factor is to many a mystery. It is taken for granted that it has stock, otherwise it would not be a bank. Where the law permits the use of the word "savings" in the title, there will be found large numbers of commercial banks with the word as part of their corporate name. Legally they are banks of discount and not savings institutions. This is not to say they are not most excellent banks, but their name is misleading to those who have come to know the savings bank as especially sound and well favored by millions of people. I attribute the wide use of the word "savings" in such titles to the fact that as state institutions they could not use the word "national," which is reserved for national banks; and the state banks having a rather unsavory reputation prior to the Civil War, the use of the word "state" would connect these banks with that era of bad banking. Therefore to avoid both, the word "savings" has been used.

Therefore, hundreds of banks having the word "savings" in their title may be found in other parts of the country, which are commercial banks in every sense of the word. Thus in Pennsylvania there are a large number of such institutions; and in order that the public may not be misled, the bank department of that State will no longer charter such institutions.

The bank that accepts checking accounts, discounts commercial paper, and does a strictly commercial business, even though it has a savings department, is not a savings bank, for the savings department is but an incidental feature.

We cannot correctly judge a bank unless we analyze its business—its name may be a misnomer. In the Binghamton Trust Company case, already mentioned, we have a trust company doing, in one of its departments, a strictly savings bank business; but the court very logically held that doing business *as a savings bank* *does business* is somewhat different from doing business *as a savings bank*. Its functions by law and charter were those of a trust company, and receiving money in the same *manner* as a savings bank would receive money, does not by that token make it a savings bank or guilty of holding itself out as such, and thereby amenable to the law.

We can distinguish a savings bank very clearly by this "hall mark":—If it receives money not subject to check, but payable on presentation of pass book and due notice, which pass book by its terms constitutes the contract of deposit, and invests the funds in mortgage loans and certain legalized bonds, collateral and personal loans, it is a savings bank; if, on the other hand, it discounts commercial paper, handles checking accounts, loans on notes of hand—in short, does a "commercial" business, it is not a savings bank.

The solution lies not so much in where the money comes from, or in what amounts, but what the bank does with it after it has gone through the receiving teller's window.

Throughout the West and South the stock savings bank predominates; and no doubt this form of savings bank is best adapted to these sections, since it offers the "commercial motive" that prompts men to undertake such ventures and provides savings facilities where otherwise there would be none.

In fact, some States do not provide for mutual savings banks at all; and in others banks may do a savings, a commercial and a trust company business under one charter, and in the multitude of activities the separate identity of each is lost or merged in the others. This is somewhat in keeping with the spirit of the times; for as we expect the great stores to supply all our wants from under one roof, so, in finance, one institution is able to do for a man anything he wants done. In Iowa there are upwards of a thousand

"savings banks," *banks for saving*, for the most part, *in name only*.

As has already been suggested, the fundamental difference between the stock and the mutual savings bank is this: The former divides its earnings between depositors and stockholders; the latter has no stockholders and holds *all its property* for the benefit of the depositors. Thus in Colorado, savings banks must have at least \$25,000 in capital stock, and when they comply with the law in all other respects, they are entitled to receive deposits; when a deposit is made, *the depositor does not thereby become entitled to all the accretions in the business* (here note the distinction between the stock and mutual type); *the assets, the property, the gain and the profits are not his*; his deposit is made subject to the right to receive such interest as the directors may agree to pay. Power to determine what they will pay is left to the directors, and the balance *may be divided* among the stockholders as the resulting profit in the shape of dividends.*

*Colorado Savings Bank vs. Evans, 12 Colo. App. 334.

CHAPTER IV

THE THRIFT HABIT

The philanthropy that does not instill in the minds of its beneficiaries a wholesome inspiration toward better things is no philanthropy at all, but rather a charity; and charity unguided or misguided is apt to do as much harm as good. It is conceded that to alleviate the present necessity is a commendable work; and for the many unfortunates upon whom fate has laid a heavy hand, that is about all that can be done. But to "help a man help himself" is a much better work, and more lasting in its results.

Charity can do nothing if she merely, with skirts held high, walk once a week through the street with note-book in hand, and smoked glasses on her nose. Though she open her purse and scatter alms from a full basket, she will learn and teach nothing helpful unless she stop long enough to find out what is the life of the people; what are their daily hopes and fears, their genuine short-comings, and their real human qualities. Charity will be made to give all that she offers, and will receive nothing in return but a "tangled web of deceit," if she content herself with a superficial survey of the street. But the fatal mistake made by the charity that "means well" rather than "does well" is not that it learns to distrust human nature, but by treating the poor as irresponsible members of society, it teaches them to be improvident, and to look for money as a reward of their thoughtlessness. Such indiscriminate relief prevents the development of benefit insurance and savings agencies, and so holds the poor man down instead of lifting him up.*

But how can the poor be thrifty? There is at any rate one sort of thrift which is in the power of the very poorest, and which is to refrain from waste. If I wanted to train up a child to be thrifty, I should teach him to abhor waste.

*Development of Thrift, p. 10.

I do not mean the waste of money. That cures itself, because very soon there is no money to waste. But I mean waste of material, waste of something which is useful, which may not represent any money value to the waster.

All great empires have been thrifty. Take the Roman Empire, which in some respects, as a central empire, was the greatest in history, which lay like an iron clamp on the face of the world. That was founded upon thrift. When it ceased to be thrifty it degenerated and came to an end. Take the case of Prussia, which began with a little narrow spit of sand in the north of Europe, "all sting," as someone has said, referring to its shape and the fact that all its inhabitants were armed men. It began with a narrow spit of sand. It was nurtured by the thrift of Frederick the Great's father, who prepared a vast treasure and a vast army by economy which we would call sordid; but it was the weapon by which the greatness of Prussia was founded, from which the present German Empire has arisen.

Take the case of France. In my humble belief, France is in reality the most frugal of all nations. I am not sure that the French always put their money in the savings banks, and they therefore do not figure so well in the proportion of depositors as some other nations may do; but after the disastrous war of 1870, when France was crushed for a time by a foreign enemy, and by a money imposition which it seemed almost impossible that any nation could pay, what happened? The stockings of the French peasantry, in which they had kept their savings of years, were emptied into the chest of the State, and that huge indemnity and that war expense was paid off in a time incredibly short. The other two nations that I have spoken of were made by their thrift; and France was saved by her thrift.

I do think it is serious for those who have the governance of our affairs to remember that great nations and great empires only live so long as they are thrifty; that the moment they begin to waste or disperse their resources the day of their end is at hand. That is a fact abundantly proved in history, proved up to the hilt, I think, by two of the examples I have given you, and though I do not pretend to preach thrift from an exalted standpoint, I beg those who are here present and those outside these walls whom my words may reach to remember that thrift is the surest and strongest foundation of an empire—so sure, so

strong, and so necessary that no great empire can long exist that disregards it.*

WHAT IS THRIFT?

But before proceeding further, let us get a clear idea of what is meant by thrift and the thrift habit. Thrift is more than *prudence*, which is merely good judgment and foresight in the practical affairs of life. It is more than *economy*, which is a disposition to save—a wise and careful administration of the means at one's disposal;—the practical adjustment, organization, or administration of resources. “*Economy*,” says Ruskin, “no more means saving money than it means spending money; it means *administration* of a house; its stewardship; spending or saving, whether money or time, or anything else, to the best possible advantage.”†

Thrift is more than *frugality*, which is prudent economy in the care of money or goods. “*Money*,” says Gladden, in Applied Christianity, “is almost always a curse to those who have not won it by their own industry and *frugality*. *Frugality* is the withholding of expenditure; or sparing of supplies or provisions to a noticeable or even painful degree. *Parsimony* is excessive and unreasonable saving for the sake of saving. *Miserliness* denies one's self and others the comforts and even necessities of life for the mere sake of hoarding. *Prudence and providence* look far ahead and sacrifice the present for the future, saving as much as may be necessary for that end. *Industry* earns, *economy* manages, *prudence* plans, *frugality* saves; *but thrift* earns, plans, manages, and saves. The thrift habit teaches a man to earn largely, spend wisely and save consistently.

Whatever thrift is, it is not avarice. There is a broad distinction between thrift and avarice. Avarice is not generous; and after all, it is the thrifty people who are generous. All true generosity can only proceed from thrift, because it is no generosity to give money which does not belong to you, as is the case with the unthrifty. And I venture to say that all the great philanthropists, all the great financial benefactors of their species of whom we have any record, the most generous of all must have been thrifty men.‡

*Lord Rosebery at the annual meeting of the Edinburgh Savings Bank, December 28, 1908.

†A Joy Forever, lecture 1, p. 7.

‡Lord Rosebery on Thrift. Centenary of Savings Banks, p. 299.

THRIFT A HABIT

Thrift is a habit; and like all habits, cannot be put on and off like an old shoe, but becomes fixed. It is acquired by training and environment, and is an essential element in good character. When we talk of thrift producing character, we would probably come nearer the truth in saying *thrift is character*.

THE RAINY DAY

The book of Genesis furnishes us with a graphic account of the world's first great rainy day. In the story of Noah and the flood, we have an example of a thrifty man, in obedience to Divine command, laying by him in store for the rainy day which left him, his family and his "menagerie" safely on top of Mount Ararat, none the worse for their long boat ride. But had he operated his shipbuilding plant on the theory that business was good and would continue so indefinitely, and the talk of a "big rain" another error on the part of the weather man, this book would probably not have been written.

The story of Joseph and the corn trust, in the same Book, is more than a bit of Hebrew history; it is the story of a far-sighted man looking out for the days when it wouldn't rain, and Egypt and Palestine rose up and called him blessed for cornering the corn crop.

The strength of both men and nations, as has been so admirably said by Lord Rosebery, depends upon their stored energy—their reserve power. The nation that raises barely enough food to meet the present need will sooner or later face starvation. Witness India and other countries where famine is frequent. They cannot or will not accumulate a food supply, and the world must step in when crops fail and with *charity* seek to alleviate the suffering *thrift* would make unnecessary. Even the dog, by animal instinct, realizes that he will not only have his day, but that on his day it may rain, and in preparation therefor buries the bone his present appetite does not crave!

SAVING BY INCENTIVE

The lesson that each man must provide for himself is a hard one for the philanthropist to teach and for the poor man to learn. Nevertheless, even in a primitive state each man

must realize that his survival depends on his own energy and thrift. So in a civilized society each man must learn that he has to make his own way, though his civilized companions will and should be kinder to him than were the barbarous ones to his progenitors.

The great incentive to him in his work will be a clear knowledge of the benefits that are to come to him from his labors, for "the sweat of industry would dry and die but for the end it works to." So soon as a little property is acquired, that in itself will act as an incentive to make further effort seem worth while, and it will then constantly be found easier to lay aside for the demands of that "unknown tomorrow." The practicing of thrift in one direction will be found to encourage the practicing of it in others, and *saving will be no hardship when it is learned that present denial is going to make possible some future gratification.**

Naturally the first step in the direction of capitalism is to save; the second to save for *something*; the third and end of all saving is the power, privileges and opportunities which attend the possession of wealth. The life stories of successful men of affairs attest the fact that the foundation of great fortunes lies in the thrift habit. One of our leading financiers states that he was early taught to pick up every pin he saw, and even yet the habit follows him. With the accumulation of a small sum of ready cash came opportunities to use it advantageously. The judicious employment of the small capital resulted in a larger fund and larger opportunities; and as the capital expanded, new avenues opened, borrowing became possible and profitable, great enterprises could be financed and large contracts undertaken, until in due time a fortune was acquired.

A good foundation must, however, be supplemented by a proper and an impelling motive. Many a man has found it impossible to save until he bought a house, with a mortgage to liquidate, or took out a policy of life insurance requiring prompt and steady payments; and having a worthy incentive has surprised even himself at his saving ability. He who has learned to save simply that he may have, has learned a good lesson; but when he saves that he might in time invest wisely and worthily, then he has learned a better one.

*Development of Thrift, p. 19.

SAVING BY EDUCATION

All education begins in the home. The child is a good imitator. If it grows up amid waste and thriftlessness, it naturally becomes a thriftless and wasteful man or woman. Like father, like son. If the history of the human derelicts that drift around our cities, like the flotsam and jetsam of the ocean, were unfolded, it would be found that their present condition is largely due to poor training.

Education of every sort comes first by compulsion. The average child does not relish the confinement and restrictions of the school room. But in a normal child, as the brain begins to awaken, a thirst for knowledge comes, and he becomes fired with an ambition *to know*, and you need no longer urge him to study—you need rather hold him in check. The thrift habit must be learned—it does not, as a rule, come by inheritance. The tendency to gratify one's self is inherent in humanity. Witness the Indian; yea, witness the white man—on pay day he gets drunk! The Indian schools recognize this tendency in the red man, and as Captain Pratt, of the Carlisle Indian School, says: "We require our students to *earn and to save*"—thrift in its essential elements! During the summer they place large numbers of students at work all over the country, in hotels and on country estates, etc. They impress upon the employer the importance of helping them save their wages; to buy what they *need, but to buy with wisdom*. Students going out sign a contract—and part of that contract is to save.

Herein lies the value of the school savings bank, treated at length in a subsequent chapter. Not that it will or can bring much money into the coffers of the bank, but for its educational value. "Train up a child in the way he should go and when he is old he will not depart therefrom," is as true in finance as in morals. And has it not been well claimed for the savings bank that it is an *educational as well as philanthropic institution?* And as an educator in thrift it should coöperate with the home in teaching the value of money. The child must learn to know *relative values*; that money in the bank is just as much real wealth as money in the purse, and of far greater value than candy in the hand. The trouble lies in getting the child to believe in *reserve energy*; to become persuaded that he must neither sap his strength nor

"tap his bank," nor spend his money for "that which is not meat."

A dime foolishly spent at twelve may grow into a dollar at twenty, and ten at thirty; while a cent saved at five may mean a thousand at twenty-five. The *amount* that is saved or spent is of less importance than the habit that is acquired through the spending or the saving process.

The best argument for teaching children to save money lies in the mere fact that the child learns the lesson that "twice two is four" in money matters as well as in arithmetic; and that four cents will buy twice as much as two, and sometimes more.

SAVING BY SACRIFICE

The thrifty man soon learns that he can only satisfy the greater and nobler desires of life by denying himself the lesser. He who would do a good day's work to-morrow must not spend to-night in dissipation! The boy who wants a gun, a bicycle, or a boat, will cut down or cut out the candy habit, knowing well that the coveted article will give him lasting pleasure, while the other is but temporary.

SAVING BY COMPULSION

There are not many schemes by which saving is compulsory. There may be cited the insurance policy which becomes lapsed if payments are not promptly met,—and this has been a most excellent plan in many cases, and in the endowment form has produced excellent results from a saving, if not from an investment, standpoint. There is also the building and loan association, which carries a small fine if payments are not promptly met; also "friendly aid societies," which penalize tardiness in payment. But the savings bank has no such plan to offer.

It is questionable if a man is very much benefited by saving because he has to. Permanent good can only come when he acquires the saving habit, for otherwise, when the compulsion ends, the saving ends also. Until he saves from choice and not necessity the thrift habit will not have gained a victory. A father once dropped the life insurance policies on his children and determined to put the premiums in the savings bank instead. *He made just one deposit—the compelling force of the collector was gone.*

The free withdrawal feature of the savings bank no doubt tempts men to use their money, when, if it were saved in a more inaccessible form, they would get along without it. The withdrawal notice, in a few cases rigidly enforced, and quite generally permissible, no doubt prevents hasty and ill-advised withdrawals. The little home banks are popular on this account: money once dropped in cannot be taken out without *trouble*, for the bank holds the key. The Saturday Evening Post told of a man who, on Saturday night, put his money in a letter addressed to himself, and dropped it in the mail box, knowing he could not keep it over Sunday, and chose this original preventive measure in order to save.

SAVING BY ENCOURAGEMENT

There are limits beyond which the savings bank may not go in safety, in its endeavor to "inculcate habits of thrift and industry among the masses." In some of the early banks a reward was offered for the most frequent depositor; a larger rate of interest for the larger deposits, and even a turkey dinner at the expense of the managers, is mentioned in Lewin's "History of Savings Banks in England and Ireland." But if it could, with safety, offer ten per cent. instead of four, the results in deposits would be greater than ten is to four. Get-rich-quick-schemes bear witness to this fact. The best it can do, however, is to make it *easy* and *convenient* to save. Hence the acceptance of dollar (in some places and largely in early days, of dime) deposits, the home banks, evening opening, saving clubs, postal banks, municipal savings banks, coöperative banks, and kindred ideas, the last three striving to bring the bank to the people, rather than asking the people to come to the bank. The commendable saving spirit of the German is, no doubt, largely due to his training; but may we not attribute it also to the fact that when he has a bit to lay away, he finds a bank at his very door to receive it?

The savings account is a rainy day fund; a life insurance policy; a sick benefit; a funeral fund; an old age pension. It lacks, to be sure, the protective feature of the insurance policy, and the compulsion of other methods; but there is no "forfeiture clause" in the pass book, and it is under the owner's control at all times, even at his death. It will tide him over sickness, pay his landlord and his grocer when times

are hard and work is slack. It will not give him a *competence*, unless of considerable size, but it will give him an *income* when his working days are over, and it will bury him when he dies. *But it must be of his own choosing.* It is a simple business proposition: begin early and keep it up, and like the pillar of fire and of cloud, it will be with him as he journeys. The savings bank will not *compel* him to save a cent, but once he gets the habit, it will take his savings, large or small, invest them safely, and pay *him* for the service it renders. It will return his money on demand or due notice, with a little for good measure (if he leaves it long enough) —an angel could do no more.

THE BROADER THRIFT*

Thrift is a wonderfully broad subject—as broad as human life and as interesting as it is broad. It concerns all we are, all we have, all we hope to be, and all we hope to get. It is the problem of life.

To the average man the word “thrift” is meaningless. It smacks of saving money and of frequent trips to the savings bank. But that is a narrow thrift, and it may not be thrift at all. The thrift I would talk about today is a broader thrift—the thrift that earns largely and spends wisely; the manner of living that results in bank accounts and a peaceful old age as a natural sequence to a well ordered life; the course of conduct that makes for independence and not dependence.

The thrift we need to encourage is not the thrift of Wall Street or the gambling table, that would get rich quick and perhaps lose all, but the thrift of New England, that builds its structure carefully, brick by brick, on a solid foundation and holds fast to what it gets, for that is the only thrift that endures.

THRIFT THE NATION'S PROBLEM

Thrift is the problem of the nations. If I read history aright, no nation has ever become great or long sustained its greatness without the application of thrift principles; and as soon as it abandoned thrift and practiced waste as a national characteristic, its decay set in. Rome, whose success

*Address by the author at the Ohio Bankers Association, Columbus, O., September, 1916.

was built upon the thrift of Julius Caesar, did not begin to decline while her men were in the field conquering the world, but in the reign of Nero, when drunk with success and power, she began to waste her substance in riotous living, with dinners that cost \$175,000, embellished with nightingales' tongues and oysters imported from England. The French Revolution was due in a large measure to the waste and extravagance of the aristocracy. The thrift of Peter the Great made Russia a recognized power among European nations. Alexander conquered the world and lost it all. History is a long tale of thrift and waste—thrift building up and waste tearing down; and if you would know what thrift can do and waste has done, read it in the pages of history.

Those who raise their voices, like prophets in the wilderness, crying against waste and in the advocacy of thrift are not calamity howlers; they are not alarmists; they are not dreamers, but practical men of affairs who realize that history repeats itself, and certain results are bound to follow certain causes, and see in the alarming waste on the part of the American people a national menace.

Edmund Burke is credited with the observation that "you cannot indict a nation," but I have observed that a nation can indict itself. We waste as a nation; we waste as individuals. "I think I may say without rashness," said Charles E. Hughes, "that today the Government of the United States is recklessly wasteful, shamefully incompetent and extravagant—a reproach to the intelligence of a free people because of its inefficiency." And what is true of the nation as a nation is true of the individuals who compose the nation.

We have been making money fast. The tide of gold is flowing our way. Our stock of yellow metal has never been equalled by any country. We are drunk on our profits.

Times without number we have been indicted for our waste of the things nature has given us, and thus far no one has championed the negative.

Every forest devastated by our "wood butchers" is an indictment on our methods of forestry. Every farm that has ceased to support the life that is on it is an indictment on our methods of farming. Our garbage can—the fattest in all the world—is an indictment on our methods of house-keeping. So eminent an authority as Doctor Wiley placed

the food waste of Americans at \$1,300,000,000—one-quarter of the cost of setting our tables. We talk about the full dinner pail—let us look to the full garbage can instead!

We waste fifty millions yearly through forest fires. We waste a billion feet of natural gas a day. Poor forestry methods cost us \$238,000,000 a year, and soil erosion, due to the same cause, adds half a billion to our waste bill annually. Our water turns few water wheels. If you would see waste, look around you!

As a rule, we do not waste the big things, but we do waste little things all the time. Only a great war can break down a nation's thrift principles to the point of waste of big things. But little leaks can sink a ship as well as a big hole in the bow. The lesson we need to learn is the lesson of the multiplication table as applied to waste.

A government has little more of financial independence than the sum total of the wealth of its citizens. It may have borrowing facilities denied to the individuals, singly or collectively, but thrift among the masses—thrift of little things—must pay the nation's bills in peace as well as in war. If, to use a simile, the individual is not prepared for a spring shower, how can the nation be prepared for a steady rain?

The development of home economics and home economies is a vital phase in preparedness. Thrift is preparedness and preparedness is thrift. The greatest standing army a nation can have is the army of the financially prepared. The backbone of the nation at war is the bank army.

Of far greater power than the monetary power is the efficiency born of the savings bank habit, for thrift makes for many virtues. In every citizen of thrift you have a national bulwark, and if you would prepare the nation, teach the people thrift!

Much of the social unrest of our time would be cured by thrift. The waste of the world would wonderfully lessen if thrift could do its work. The jails and penitentiaries would soon empty if thrift got hold of the youth. Thrift would cure most of the ills of the body politic. Thrift is the hope of the nation.

THRIFT THE PROBLEM OF BUSINESS

Thrift is the problem of business. Business success depends upon it; failure is certain without it. The cost of

conducting a business may be divided as follows: (a) The fixed charges. (b) Administrative costs. (c) Material. (d) Labor. All but the latter may be calculated to a nicety, and adjusted to meet varying conditions. But the labor cost is the worrisome part of business. The human element is uncertain, and the human machine woefully deficient. It cannot be depended upon.

Organized industry has for years been studying efficiency—trying to get the human machine to do its best; trying to apply thrift principles to the day's work; trying to educate the thriftless and encourage the thrifty. Your profitable workman is the man of thrift. He needs no watching or checking. He will give a day's labor for a day's pay and not quarrel about a little too much for his money. The thriftless workman wastes time, he wastes material, he must be supervised. He "soldiers." The thriftless worker spends his rest time in dissipation. He is inefficient on Monday. His holiday does him harm. It takes two days to speed him up. Statistics show that industrial accidents occur at the beginning of the week, when the worker is out of sorts due to improper week-end rest, and at the end of the week when he is tired out.

The great trouble with business is the thoughtless employee—and thrift is applied thoughtfulness. I went into a department store and bought a small article. The clerk used twice as much paper and string as necessary. I rebuked her. "That's nothing," she said, "the firm's got lots of it." Thrift would cure that. She is one of millions. I saw two stenographers use ten paper towels apiece to dry their hands. I told the manager. "We simply can't stop it," he said. Thrift would cure that. I saw ten cents' worth of packing used on a twenty-nine-cent article in a department store wrapping room. Thrift would cure that. Thrift is the problem of business.

THRIFT THE PROBLEM OF THE HOME

Thrift is the problem of the home. The family as a social unit is a success or failure, headed up hill or sliding down, as thrift is practiced or ignored in the family life. Here waste in its simplest, costliest, most inexcusable form takes place. Here the child imbibes thrift or thriftless principles that last through life. Here the growing boy or girl

acquires habits that mould character. If thrift ever gets hold of the individual it must be largely through home influences. If the nation ever becomes a thrift nation, it must be the reflection of thrift in the home. Thrift of time, thrift of opportunity, thrift of health, thrift of money is essentially a home proposition. Thrift is the problem of the home.

THRIFT THE PROBLEM OF THE INDIVIDUAL

Thrift is the problem of the individual. Thrift will do more to make for individual success than any other habit, and waste will do more to invite failure. The man who succeeds is the man who, in some form, or forms, practices the virtue of thrift. The man who fails is the man who, in some form or forms, practices waste. The bread line is a gloomy example of what waste will do; for every mother's son who stands in line for his roll and coffee, in some form or other allowed waste to conquer him. He may have wasted his money, he may have wasted his time, he may have wasted his strength; but waste ends in the bread line. And the antidote for waste is thrift, the sure cure for many of the ills of the individual as it is the panacea for many of the ills of society. Thrift is the problem of the individual. He succeeds who practices it; he fails who ignores it.

THRIFT THE PROBLEM OF THE BANKER

The bank is a sensitive institution. Like the delicate instrument that records the slightest vibration of the earth's surface, the bank records the ebb and flow of humanity as measured in dollars and cents. Not a birth, a death, a fire, a marriage, an accident, a joy ride, or a quiet evening around the open fire but that is reflected in some bank statement, near or remote. And because the bank is intensely human in its susceptibility to the varying emotions of the people, thrift is the problem of the banker.

H heretofore we bankers have been too much interested in things as distinguished from the people who own the things. We have overlooked the man in the quest for his money. We have preached "Save your money," but have forgotten to make the application, so necessary in every sermon, and shown them how. We have been extolling the doctrine that a dollar at four per cent. interest earns four cents a year and

forgotten that one and one make two. We have been teaching the theory of interest and neglected the practice of addition as applied to a bank account.

TWO KINDS OF BANKS

Banks may be divided into two classes: (a) The passive banks. These are they that work upon the theory that to advertise is unethical, and to openly solicit business undignified. Many of these banks are old and of great size and strength, as strength is manifest in the surplus account. They grow, if at all, without effort. They live by virtue of having a large clientele that comes to them because their fathers went there, and their children will follow them. They fulfill their mission negatively, not positively.

The other class consists of (b) the banker who has had an awakening, and has seen a vision. He realizes the immensity of his opportunity and breadth of his field. He gets business not because he can't help it but because he goes after it. He enters into every civic movement that makes for betterment in his town. He advertises consistently, dignifiedly, educationally; has a message and gets it over, and believes in the doctrine that if you get the man you will eventually get his money. Mark the bank that believes in the asset—Good Will; see how it grows.

The running of any bank entails a privilege and an obligation. The obligation is to run a safe bank and make it profitable. The privilege lies in making it a public educator, a public benefactor, making two blades of grass grow where but one grew before, the hallmark of a real benefactor. And no bank has a true conception of its opportunity until every man, woman and child in the community is a thrift citizen with a bank account; nor a true conception of its duty until every legitimate need of the business man is met to the safe limit of his requirements. The banker who best serves his day and generation is the one who has grasped the meaning of that German motto—*Ich dien*—“I serve.”

We mistake the attitude of the man we are after. He is more interested in what you can do for him than he is in the size of your bank's capital and surplus and the roster of your directors, as important as these may be to him and to you. He wants to know where you and he connect. The confidence you seek can best be gained, not by a show of

marble and bronze, but by a process of education, a friendly, helpful attitude and the human touch.

WHAT WILL THRIFT DO?

Now, granting the truth of all the above, what can you reasonably hope for in the encouragement of thrift?

First, better citizens. The man of thrift is the best father, the best husband, the best neighbor, the best citizen. He is the best dressed, the best housed, the best fed, the most generous man in your town. Mark him.

Second, better homes. Thrift is, to repeat, a home proposition. There it does its perfect work.

Third, a better city. Thrift makes for better streets, and cleaner, better management, less noise, better schools, bigger business houses, fewer failures, bigger banks—a city beautiful.

Fourth, a moral uplift. In those places where thrift campaigns have thus far been held the press and the pulpit have acknowledged that a moral uplift as wholesome and as apparent as a religious campaign has resulted.

Most of all you can hope for a broader conception of the meaning of thrift and how it enters into the scheme of human life. The saving of money is, as a rule, a painful process, however pleasant the effects may be. Sacrifice is never inviting. Self-denial was never popular. And until we can get the individual to see the broader thrift and not the narrow thrift, he will always associate thrift with the mere saving of money, and thereby lose its greatest benefits.

It matters not how small the income may be, or how careful the manner of living, the broader thrift is possible. If the individual sees thrift as the mere saving of money he will shun it as an impossibility. I spoke at a noonday shop meeting in a stove factory in New Jersey. After the meeting a begrimed workman came to me and said: "How can a man save money on twelve dollars a week and raise a family?" "He can't save much," said I, "but he can get twelve dollars' worth of value for his twelve dollars, and that is what I want him to do." And getting that he will save money. Your people need to be shown that thrift spends as well as saves. But it spends wisely. Not less of the good things of life for the thrifty man, but more.

Thrift will make your individual a thoughtful individual for the little things. He lets the water run, the gas burn. He neglects the trifles which, as Michael Angelo observed, make perfection, and perfection is no trifle.

The merchant in your town who sees in thrift a locking up of money, does not realize what thrift would mean to him. While we hope much money will find its way into the banks, as sensible bankers you know it does not stay there. No bank hoards money. It profits as it lends and every banked dollar means several borrowed dollars for your community provided your community can use it.

The thrift shopper is the best shopper. She buys good values. She does not ask for bargains, but quality. The house that must eternally attract by cheap prices, cut-rate sales, bargain days, and trading stamps, does not build for time. Compare the houses of Wanamaker, Altman, Jordan Marsh Co., Marshall Field & Co. with any of the mushroom houses that have come and gone while the others endured. Thrift makes for good business, stable business and profitable business. That's where the merchant profits.

THRIFT AND THE BANKER

Now, what can the banker hope for himself—a purely selfish hope? First, the effectiveness of unity of effort. Our banks are permeated with jealousy. They are envious of each other. We forget that we have a common cause and will profit by the common uplift. We have preferred to "go it alone," each for himself, with the one object in mind—deposits. Each covers the same ground. Each wastes effort. Each wastes money in ill-advised husbandry. We need to get together, work together and succeed together.

Second, intelligent depositors. The bane of the banking business is the ignorant depositor, who knows little about banking, understands not what he is doing, or what you do, and at the slightest breath of danger rushes pell-mell for his money, bringing about that nightmare of banking—a run. Thrift would cure many a bank unrest.

Third, constructive and effective advertising methods. It is admitted by all who understand advertising science that much of our bank advertising is wasted. It is not advertising, but gratuity—charity, disguised. We carry our ad. "standing" until it falls down. We give away pencils,

rulers, knickknacks and junk and wonder why we get no results. There are none to get.

And even if it brings you no direct results that you can check, as good philanthropists, interested in all that makes for betterment in your town, thrift will be worth your while if it gives you a stimulus to better banking, for you may get a new inspiration, as will all who come within the atmosphere of the broader thrift that makes for better living.

THE MOTIVE POWER OF SAVING

In the endeavor to encourage and promote the practice of thrift it becomes essential to understand the saving processes as they operate in the human mind so that time and money may not be wasted in useless effort. Some saving processes need no encouragement for they are self sufficient. Others need direct stimulation and others require much the same treatment that a farmer gives to his crops.

In many cases the thrift proponent fails of success because he is, as it were, attempting to cultivate a fully grown tree, rather than a sapling. He does not distinguish the possible from the impossible, the fruitful soil from the barren, and in consequence fails of results. It is well, therefore, to devote a bit of study to these processes, in order that the thrift effort be intelligently directed.

The processes by which men save money may be divided into four general classifications. First comes the squirrel process, or saving by instinct. It is not recorded anywhere that a mother squirrel ever gave lessons to her young in the saving of nuts. They do it by instinct. For generations past they have been following, and for generations to come they will follow nature's leading. It is said that the domestic dog turns around several times before lying down, because his wild forbears did so in order to trample down the tall grass and make a bed. The habit is in the blood.

Likewise we find a type of man who saves steadily and consistently, not because he has been taught saving, but because he inherited it from his ancestors. The thrift of the New Englander and the Scot are proverbial. In the struggle against natural forces they became thrifty of necessity. Brought up amidst plain living and high thinking they formed simple habits, were content with simple pleasures and

plain food, and absorbed thrift through their environment. The habit is born into them and they have the saving instinct just as the squirrel has it.

During and after the war a bank had an account with a railroad signalman about twenty years old. In a few years he saved more than \$5,000. He was naturally thrifty and saved his money. There are many such men.

The only preaching needed for this class is well set forth in the slogan adopted by New York savings banks and displayed on billboards throughout the city: "Put your savings in a savings bank." Here is no direct encouragement of thrift; it is assumed to exist. All that this effort attempts to do is to guide the results of thrift into the savings bank; and this is highly proper and should be highly effective. Any other course would be a waste of time and money, insofar as this class is concerned. The investment in guide posts is a wise one, for these folk are going somewhere and only need proper direction.

THE MISER

The second type is the miser. He saves simply because he is too mean to spend. He loves money for its own sake. Spending has no pleasures for him. He accumulates merely to have, not to use. Possession is its own reward. Quite often this type selects the savings bank as the medium of accumulation; for frequently newspapers carry the story of some one living in squalor with goodly sums in savings banks. This class is hopeless and no amount of advertising appeal can change their habits. Where the saving process is hoarding per se, there is slight hope of showing such persons the error of being caretakers of their own savings.

There is a type of saver that trusts no bank. Through bitter experience or through fear or inborn distrust, persons of this kind have no confidence in banks. There is only one hope for them and that is slow education. The thought must constantly be drilled into their minds that saving agencies are to be trusted. Size alone is not sufficient, as desirable as it may be. Surplus is not assurance, for they do not understand what it means. Age is not enough, as honorable as a long career may be. The standing of the men in charge is inadequate, as essential as this may be. Wise laws and proper supervision are not enough, for these are unknown factors to

them. There must be a combination of these factors, plainly set forth and iterated and reiterated until the thought sinks home.

It would be difficult to estimate how many bonds the slogan ". . . years without a loss to an investor" has sold. The people have seen it so many times and in so many places that they believe it. The publicity that seeks to attract the "doubting Thomases" must be simple, concise, truthful, free from bombast and laudatory claims. Moreover, it must be repeated until repetition brings results. No bank need advertise to its friends. Its concern should be to serve them well. It is to the stranger without that the appeal should go forth.

INCENTIVE COUNTS

There is a large class of potential savers who have the beginning of the thrift sense but lack incentive. They can save and they will save with the proper objective. There must be a definite goal to spur them on. Saving must be made easy, in homeopathic doses, but there also must be a definite reason for the saving process. Of all the saving processes this one has the largest possibilities. Henry Ford appeals to this class when he offers a car to those who will deposit \$5 regularly for a stated time. He offers a definite plan of saving for a definite purpose. The Chevrolet Motor Company announced a certificate plan of saving for the same end. The marked success of the Christmas Club everywhere arises from the fact that it offers the visible objective. The saver has a definite sum at a definite time in sight. Saving becomes easy because it is regular and has the proper incentive, the Christmas check. Those who have studied the development of this plan must have become impressed with the fact that the club members look forward eagerly to the arrival of their checks and are keenly disappointed over any miscarriage.

If there be any weakness in the savings bank plan of saving it is in the fact that the savings bank cannot offer a direct incentive. The saver must create his own objective. All the bank can do is to assist him in its realization. The appeal of the savings and loan associations is home ownership, for this is the foundation of their being. The appeal of life insurance is protection for dependents. Except in the endowment form, life insurance never can benefit the insured. He must benefit

in the sense of security which the insurance brings. But the results of his thrift and foresight are not for him to enjoy.

The savings bank can only promise the return of the principal plus such dividends as it may declare from time to time. The saver may accumulate money for any purpose he elects and the bank will help him. It cannot offer something for nothing, or much for little. Undoubtedly at the beginning of the movement the creation of a fund for old age was the paramount thought; but as the benefits of saving for current uses began to become manifest, the main aspect of saving was subordinated to more practical ends.

The savings bank appeal is to all classes. It offers the means through which life's ambitions may be realized and life's fears provided against. But the saving must be of one's own volition and the incentive self created.

The appeal which attempts to show the wage earner that saving is necessary in order to provide for the contingencies of life may be met by the answer that thus far the worker has been able to meet these emergencies. The appeal that seeks to make provision for old age can be answered by the statement that old age is a long way off. The appeal to save merely to have, encounters the reply that you cannot take money with you to the grave and now is the time to enjoy it.

But the appeal that holds out a definite and desirable incentive appeals to the reason, the desire to have and to enjoy. It digs down unto the inner consciousness of the wage earner and finds a responsive chord. He knows that the appeal is sound and based upon future benefits to himself. The saving is not one-sided. The bank is not the end, but the medium. The storehouse is not a mausoleum but a cold storage plant. What is put in is to be taken out—sometime, well preserved and greater because of the storage process.

If we could but place ourselves in the position of our readers and consider what sort of savings talk would interest us, we soon would be assured that platitudes and Poor Richard's sayings were received with tacit consent as to their truth, but they lack impelling force. They are deficient in human interest.

COMPOUND INTEREST

I have seen many tables setting forth the fact that if certain sums were invested at certain rates for a stated time,

they would amount to a large sum. They never have made half so great an impression upon me as a single page of a savings pass book, showing how some thrifty saver got ahead. My mental comment on the tabulation has been: "Fine!—But did anybody ever do it?" I presume the reaction has been the same with others. The individual ledgers of any savings bank contain more powerful arguments along this line than any mathematical calculations ever can.

The problem of all thrift advocacy is, first, to induce the saver to save; secondly, to provide a safe depositary for his savings; third, to persuade him to use it; fourth, to allow his savings to grow. The methods by which these things can be accomplished is for each bank to solve.

HIGHER THRIFT NOT MERE SAVING

There is a type of thrift that saves money. The primary thought in the mind of the saver is to create a fund for future use. The use for which the fund is planned may be definite or indefinite. There may be an objective or only a desire to be prepared for life's emergencies. Of this type the savings bank depositor is a familiar example.

There is another type of thrift that saves no money, as saving money is generally understood, but at the same time creates something that is equivalent to money in its potential possibilities. Thus, the youth who is spending all his savings in order to get an education, is storing up for himself earning power that is better than money, for it is cumulative and works on the theory of the multiplication table. The musician or the artist who is willing to pay \$10 for a half hour lesson from a master may be in a sense a spendthrift; but he knows that his spending in time will yield returns in increased efficiency and development of talent. He is investing money in skill.

However true the foregoing observations may be, the saving of money is commonly regarded as evidence of thrift; and the savings bank man who observes particularly this phase of human life is likely to conclude that this is the alpha and omega of thrift. Upon closer observation of men and women it frequently will be found that thrift in its highest form often has been exercised, and yet no bank account was ever opened, nor any money laid away for the rainy day.

Having come into contact with those who are the embodiment of thrift and yet have saved no money, I have abandoned the old time idea that thrift cannot exist where money is not the resultant of human effort. As an extreme, although not unusual example of this philosophy, I propose to tell the story of the most marvellous exemplification of thrift I have ever known, and which did not involve the saving of money. I also wish to do honor to a remarkable woman, for it was her thrift that I wish to describe. The story is true in every particular. Names and places have not been mentioned in order that modesty might not be unduly shocked and intimate facts heralded to a curious world.

The story centers about a life insurance policy and the characters are mother, father and six children, call them by any name you like. Father is one of those plodding employees who hold a job for life but who fail to get far up the ladder. He has never earned more than \$3,000 a year. He may have lacked initiative or ambition or both; or he may have found his level and been content to remain a clerk. He is a lover of flowers and every morning at five he is up and in his garden for a couple of hours and again after dinner until nightfall. His vacations have been spent in improving the house and grounds and today it is one of the show places of the town.

Mother is one of those rare specimens—and yet not so rare after all—of American womanhood of the highest type. Her family has been her life. She has always tended those around her well and wisely. The toll of father's garden resulted in a well stocked cellar when the autumn canning and preserving season was over and this had much to do with the ultimate success of her plan.

Every pay day for many years father has turned over the pay check and she has put it in the bank, soon to be checked out for the family needs. In fact, her's for a long time was one of those "unprofitable accounts" so frequently found in commercial banks; but it has a story all its own.

Some twenty years ago father took out an endowment policy for \$10,000. Mother paid the premiums as they fell due, just how, father never knew. As the date regularly rolled around he would ask if the policy was protected and mother always answered in the affirmative. When the dividends had accumulated to a substantial sum, they were withdrawn and invested in a home. Property was cheap at the

time. As a further result of father's efforts the place would sell for at least \$20,000 now, with a mortgage of less than \$3,000.

As the children grew up, mother's load became heavier and heavier, particularly when the three oldest girls and the boy were going through college and training school. Often she was at her wit's ends to meet the premiums and the family purse ran dangerously low. Father is a proud man; debt to him a disgrace. Had he known that mother was borrowing from the bank on the indorsement of friends to the extent of \$1,000 in order to keep up the premiums, he would have left the town in dishonor.

As mother borrowed from time to time, the bank exacted her promise to pay the notes when the policy matured. And finally father was the proud possessor of a check for \$10,000, more money than he ever hoped to accumulate. But mother was in distress. She had to meet her notes as she had promised. Then she besought the bank to let her pay as she could; for father must never know how the policy was maintained. It would spoil his dream of years. But the bank was firm.

Here intervened the assistance of a friendly bank and a friendly banker. The friendly banker took her to a friendly bank and told the foregoing story. "Will you lend this woman," said the friendly banker, "on her record and the indorsement of the three girls (then earning about \$2,000 each as school teachers) \$1,000, on her promise to pay \$100 every month until the debt is paid? You will get prime paper, as moral risk goes, and three checking accounts from the girls as your compensation for a human deed."

The bank would. Regularly for ten months mother went to the bank, paid her note and then took it to the friendly banker to show him that she had kept faith. When the last note was paid, she took all of them to him, and said: "You tear them up—the fight is over, and father does not know." He never will.

The proceeds of the policy were invested in securities. Father still holds his job and turns the pay check over to mother. It has a different meaning to her now. The girls also turn their earnings into the family purse and the joint earning power of the family, together with the interest on the bonds, is more than \$10,000 a year. In the course of time the girls bought a car, while father built the garage. The garden still flourishes and mother takes life a little easier.

Here is an estate of almost \$30,000 and an earning power of approximately \$1,000 a month, created, as it were, out of nothing. Thrift did it all—the thrift that saved no money but created earning power—plus.

I have read much of thrift and many thrift stories from real life, but never one such as this. It is like a fairy tale, and at first blush seems impossible; but here it is, so simple, so logical in its development, so human in its appeal, that, I regret I cannot publish the photographs of the chief actors and the home that thrift built.

The family was fortunate in buying in a low real estate market and allowing the unearned increment to do its perfect work, which, together with the unpaid labor of father and the boys, brought about the great enhancement in value. But this does not destroy the vital fact that out of an income of approximately \$50 a week these marvellous results were obtained. The investment in the house was wise as time proved. The investment in the girls' and boys' education was wiser. They are now not only self supporting, but able to contribute handsomely to the family income, which allows many of the comforts and even luxuries so long denied them.

Analyzed further, the process will be found to have consisted of an investment in protection. Money in the far distance may have been the goal, but the investment was more particularly in education that produced earning power. Sacrifice had its reward in brains, and brains produced dollars. During all the twenty years the growing family was protected against father's loss of earning power. In due course the bread cast upon the waters came back many fold increased. The story may hold more of interest to the life insurance advocate than it does to the savings bank mind, but it proves that thrift cannot always be judged by the amount or the frequency of credits in a pass book.

If thrift be the essence of sane living and high thinking, here it is in its transfigured form, real, living, potent, resourceful, and open to practice by all.

THE PSYCHOLOGY OF SAVING

The psychology of saving finds its essence in a conflict between present desires and future wants. Generally, saving involves sacrifice. A present want must be denied in part

or in full in order that a future and unknown want may be protected.

In order to provide for a home or make provision for old age, the thrifty deny themselves daily. He who practices thrift must balance a craving for something present against a desire for something future. The appeal of the present is to the senses; the appeal of the future is to reason.

Take for example this instance: a bank official received a substantial and unexpected bonus at Christmas time. The bonus was like money found. It represented no definite effort and it was not the result of any hope. The impulse ordinarily would be to spend it—to buy something in the shape of a luxury. As it did not come within his stated income, any expenditure would leave his budget intact.

Many persons would have used at least a portion of the money in "celebrating;" perhaps for a vacation, some form of entertainment or other extravagance. Some men would have immediately indulged in a new car, a fur cloak for his wife, or jewels, as evidence to the world that they had "arrived." But such a course would only have been notice that they had departed. They would have deceived no one but themselves.

As a matter of fact there was nothing in particular this man wanted which he did not have. His tastes were moderate and well within his income. To have spent his bonus or any portion of it in unwarranted outlay would have meant a struggle with his thrift conscience. Consequently, he invested his money in a bond. He denied himself present gratification for future comfort. He used his logic. He denied his senses and gratified his reason. Such a process is thrift in the highest degree.

In contrast with the cold logic and well balanced action of the bank man may be mentioned the following instance of waste in respect to money easily acquired. A certain individual was left a considerable sum of money by a relative. With nothing to do and an ambition to become a business man he sauntered forth. The first place that attracted his attention was an automobile concern. He had recently bought a car. The dealer had demonstrated the car to him and taken his check. He concluded that automobile selling simply meant joy rides and checks. He was soon to get a rude shock.

He walked into the place and asked the price. It was \$10,000, and he took title with no other ceremony than a bill of sale and a check, for he desired no inventory or check up on the business. What he bought was worth about half the price he paid. He ran the business less than six months, increased the inventory to \$15,000 and sold it back to the original owner for \$7,000. An audit of the books showed that he had lost about \$20,000. He had bought about \$1,700 worth of gasoline and sold it for \$800. After he had lost his money and his business, he was gloriously happy, immediately opened a savings account with \$1 and took home a ten cent bank!

THE SECRET OF SAVING

The ability to control present wants is, then, the secret of saving. The actual needs of the average man are few; his wants are many. He must find a middle ground between the two if he would save. The wants of many people increase faster than their earning power; therefore they run in debt. No matter how large their income they find it easy to spend everything earned. It is characteristic of mankind to spend ahead. A raise in wages means larger living expense and luxuries. With each increase in income there are many persons who think that if they only had a thousand or two more a year, they surely could save; but when the thousand or two materializes it goes the way of its predecessors. The art of saving depends not on the greatness of one's income but upon the reasonableness of one's wants.

VISUALIZING THE FUTURE

A control over present wants may be said to constitute the negative side of thrift. Thus we do without. The positive side consists in creating wants, ambitions and hopes for the future. Foresight is the mainspring of thrift.

The saving ability of men and nations is measured by their ability to visualize the future. The degree in which this faculty is possessed measures their intelligence. The savage cannot forecast the future and so lives from day to day. As he emerges from his primitive condition he begins to look ahead and by instinct, if not by reason, prepares for times of need. It is characteristic of the southern Negro that he is happy if he is not hungry and has a place to sleep. As soon as he develops thought for the future, and is not

satisfied with mere eating and sleeping, he begins to advance toward a higher state of living. When he really practices thrift in its various aspects he becomes a marked man and an exception to a rule.

The logical time to save is during the period of highest energy and earning power. The usual time seems to be when old age looms in sight and time has left its mark upon the body and mind. With a late realization of the necessity for thrift, men are in such a hurry to catch up with the lost years and wasted opportunities, that instead of investing their savings safely, they are likely to speculate and in the end suffer unnecessary and sometimes tragic losses.

The trouble with the average man is that present wants are not only intensive, but are reinforced by appeals on every side. What the eye sees the mind is likely to want. It is not difficult to understand why it is easier to save in the smaller towns and country districts than in the larger cities. City folk are appealed to at every turn by attractively decorated shop windows. Country folk have no such temptation. When it means but a few blocks walk to a theatre, playgoing is easy. When it means miles of travel, it is hard. The wife of the city dweller, particularly, lives in an atmosphere of constant temptation. Her desires are deliberately stimulated by bargain sales in the large stores and spending is made easy by the credit system of such concerns.

It takes a somewhat powerful imagination to visualize a future comfort such as a home and it often seems an impossibility. But the senses are quick to grasp and respond to the appeal for immediate gratification.

WILL POWER

Saving cannot exist where will power is lacking. It has well been said that "saving is a Marathon race in which many start but few finish." Lack of staying power is the reason for the many dropping out. Resolutions are quickly broken unless the will power is strong enough to endure. Will power has been defined as "the ability to keep an idea permanently in mind."

Most of us at one time or another have deliberately set out to save for a definite purpose and many have had the experience of failing to achieve the end sought. The

pressure of new wants has driven the will power into a surrender. The present is always with us; the future ever before. Saving, to become a fixed habit, must ever keep a single idea constantly in mind. A purpose to be resultful must be constantly fed, just as a boiler must be constantly stoked, or steam will not generate. All this takes will power of the highest degree. Just as spending becomes easy and less and less abhorrent as it is constantly practiced, so saving becomes easy and more and more attractive as it is continued. One who calmly and deliberately sets out to save and continues the process will surprise even himself at the results; and on the contrary one who succumbs to the spending habit will be astonished at the amount wasted in the course of time.

Somewhere I have read that if an act is repeated a certain number of times it becomes a habit. That is to say, if I begin smoking and at the inception of the habit I cut off the end of my cigar in a certain way and continue to do it that way for a stated number of times, I always will begin my smoke that way. The man who shaves himself will find that he proceeds according to a definite plan, and he makes essentially the same motions each time. The act of shaving has become a fixed habit, because indulged in so long after a standardized process.

Conceding that saving is a habit, it must be practised sufficiently long to become a fixed habit. The visits to the savings window cannot be spasmodic and develop the saving habit. They must be continuous. An interruption will then bring a rebuke to the saving conscience because of a break in a stated course of conduct.

I once knew a mail carrier who, on the first and fifteenth of each month, with religious regularity for years deposited \$15 in a savings bank. The habit was part of his life; and to have omitted one of his semi-monthly visits would have been a shock to his saving sense.

The practicability of the savings bank idea lies in the fact that it makes small but frequent doses of saving possible. It makes it easy to save; and by making it easy, develops an act into a habit. The psychology of saving consists in training the mind to believe that present satisfaction is of less importance than future safety; and to prepare for the future by the practice of saving as regards money accumulations until future gratification overbalances present temptations.

Thrift in money matters is best accomplished through a

definite plan of saving. The most common, perhaps, of the many mediums now used by the banks is the Christmas Club, which encourages saving by a prescribed plan for a definite time. The weakness of this plan lies in the return of the funds after having been saved. The saving is for the purpose of spending; and although this is the ultimate end of saving, the period of saving is too short to accomplish the best results. It is a matter of experience in banks that those who get the Christmas Club habit come back year after year and repeat the process, which shows that the scheme does accomplish something toward the establishment of a permanent habit.

Subscriptions to shares in savings and loan associations also is a most excellent plan, and one which has many points of merit. The buying of a home with stated payments to be met and the purchase of a bond on the installment plan likewise are excellent ideas to promote definite and constructive saving.

Doubtless the most dignified plan of all is the budget idea. This apportions the income to certain definite lines of expenditure, so that spending may be orderly and pre-arranged, making allowance for all known disbursements with a stated portion for saving. The budget plan is as meritorious for the individual as for business and public affairs, and where consistently followed cannot but produce admirable results.

TAKING THE HAZARD OUT OF LIFE

The habit of thrift as a factor in human destiny serves two important purposes in that it provides for the opportunities of life and against the contingencies. Which is the more important is a debatable question. He who cultivates this virtue adds to his well-being in a two-fold manner, and in order that the results of thrift may be achieved in their highest degree must give attention to the following aspects of his financial affairs:

As one who earns money, whether by brain or by brawn, he must produce an increased output, or perform specialized work, so that the monetary reward will be enhanced over present or past income.

As a spender, he must get the greatest amount of lasting good out of the least expenditure. This does not mean penurious spending, but careful and thoughtful spending,

with ultimate value and lasting recompense in mind. In other words, he must be a thrifty spender.

As a saver, he must set a goal, have a definite purpose, forecast the future, and be ready for emergencies.

As an investor, he must consider sound values, the earning power of money properly invested, and the conservation of principal. He must combine safety of principal with adequacy of income.

As a conservationist, he must eliminate all forms of waste, considering not only the money value of the things he uses or wastes, but the economic results of waste when practiced by large numbers of people.

We therefore have a five-fold thrift problem,—to earn; to spend; to save; to invest and to conserve.

INCREASING THE INCOME

The only income for many people is the weekly or monthly wages received for services rendered. To make this as large as possible is the aim of every right minded individual. More income is the problem of the day, and the one ambition of the human race. By one method or another this is striven for. Therefore we have strikes, labor unions, and individual effort, together with that better way, of making one's self a better workman, or a more skilled and better educated individual, who succeeds by weight of greater efficiency.

One of our economists, Benjamin R. Andrews, of Columbia University, gives us the idea that we have, in addition to our money income, "Use Income," which is the equivalent of money. Of such nature is the use of a home and its furnishings, or a pleasure car. The home and its equipment, handed down from parent to child is equal to a gift of money and often is more highly prized than a monetary legacy. Moreover, it is less likely to become dissipated. There is also "social income" which includes such items as educational and recreational facilities, health services and public works of all kinds, paid for by those who have lived before. Lastly we have the unrequited services of the housewife. This is an item frequently overlooked in the family life, and one of the chief contributing causes of thrift in its highest form. A family often is supported as much by the services of the wife as by the earnings of the

man. Anyone who has observed life in the country will have been impressed with this idea, for frequently the wife contributes as much, if not more, to the family welfare than the man. The farmer's wife always has been accredited with a hard lot, now happily made easier by labor saving devices. But there is a certain amount of work that she cannot escape unless it be by hired help.

As a matter of fact, the introduction of electricity in the home and the labor saving devices mechanically operated have had much to do in lightening the labors of the housewife in every sphere of life.

AGAIN THE BUDGET

The principles of thrift can best be inculcated, and their benefits measured and followed intelligently by the use of the budget, which keeps account of income and outgo in a systematic way, so that the money expenditures can be followed from inception to finish, and the results known in figures rather than by guess work. The family income surely would be augmented, sentimentally, if not practically, if the wife were to be credited with the value of her labor, and the fruits of her labors.

The greater part of our expenditures are made haphazard, without system or plan, and we therefore live irrationally. We spend for the present needs and not for lasting satisfaction. Thrift would substitute a definite plan, however simple, for guess work, and make spending thoughtful and not thoughtless.

The experiences of others are most helpful as showing what can be done with limited income. A study of the expenditures of the average family will demonstrate that the smaller the income, the larger the proportion that must go for food; and the larger the income, the more that can be spent in cultivating the higher tastes. The standard budget that has been found practical is: One-fourth for food, one-fifth for rent, one-seventh for household expenses; one-seventh for clothing and one-fourth for recreation and lasting benefits. Any adaptation of these ratios should be made with the necessities of the case in mind. They are flexible quantities. These dimensions may be classed as follows: Wants for self-existence; wants for self gratification; wants for self improvement, and wants for self protection.

Thrift would provide for the necessities of life abundantly,

but waste nothing. It would gratify only those instincts that are uplifting and lasting in their results upon character. Thrift would not deny the expenditure of money for self improvement, but would make that improvement of the higher sort, and if possible with a monetary value in case of need. It would give the boy and girl an education, but a practical education that would fit them to play their part in the work of the world. Thrift looks at the present in the light of the future and considers well the effect upon the future of the expenditures of the present. It saves today, not only in order to have tomorrow, but in order to use tomorrow.

Thrift in housing leads to home ownership, useful and not merely ornamental furniture, plenty of light and air and proper sleeping arrangements.

Thrift in housekeeping uses every modern labor saving device, and pays for them by saving in labor and hired help. It buys in quantities and in season, as against the hand-to-mouth process and according to whim.

In culture, thrift does not attempt to force children into training for that which is not in keeping with their instincts. It never tries to make a musician out of a mechanic. It does not force its plants.

THRIFT IN BUYING

In a time of rising prices and huge and easy profits, the man of thrift in business will lay up his profits in such form as to provide a bulwark against times of depression. In the war period, when fortunes were made on every hand, the thrifty business man put his profits into stocks and bonds of assured value, so that when the hard times came, he had a reserve to fall back upon. When he had to take losses he was prepared for them; and his losses were taken out of his profits and not out of capital.

The laborer who made undreamed of wages and was thrifty, put his surplus into the savings bank as a bumper against the time when work would be slack and men would be idle by the thousand.

Life insurance is one of the best mediums through which the thrift habit can be acquired and the results of thrift made permanent and beneficial. The soundest budgets which have been offered by those who have accumulated money have

included goodly-sized life insurance premiums. The soundness of this method cannot be questioned.

Thrift and insurance go hand in hand. They lead straight to future security and their toll is not heavy. Insurance simply requires moderate but systematic payments, in exchange for which it gives back, as a reward, cash in hand and protection for the future.

Insurance is looked upon by many as a form of enforced saving. Perhaps it is the only form of compulsory saving in this country. Those who view it in this aspect, realize its value and take out policies for the sole purpose of compelling themselves to save. In substance they say to the insurance company: "I propose to save so much a week or month through this policy. Come and take it away from me, lest I be tempted to spend it in other ways."

In most cases the compulsory feature wears away as the habit becomes fixed, and the premiums are paid more easily and more gracefully.

Practically all the emergencies of life may be safeguarded against by various forms of insurance. In fact, any happening, from the loss of a hat to the loss of life, may now be covered by insurance. Many people merely carry what is termed "burial insurance," which is another name for industrial insurance. In the latter case the amount insured is small, barely sufficient to cover the burial expenses, and may be taken out on the life of even young children.

In addition to individual insurance, there is group insurance, covering the employees in an office or plant, and insurance that is compulsory, such as workman's compensation insurance in force in many states.

ANALYZING THE BUSINESS OF LIVING

This being a time of "efficiency" in business life, there is no reason why the individual should not analyze the business end of existence and apply the best principles of business conduct to his individual affairs. The commercial house takes periodical stock and has expert accountants report on the situation, whereby the future policy of the institution is molded.

The individual, drawing up such a report on himself will find that personal expenditures can be easily divided into four main groups, thus:

- (a) Expenditures for necessities—food, clothing, and

shelter. The proportion of the income allotted to this group will depend upon the habits and social status of the individual.

(b) Expenditures for physical and moral welfare. Care of the physical man is a necessity and the amount spent upon this item depends upon the unknown factor of health. In some cases it is small and in others large. Moreover, it does not run uniform from year to year.

(c) Expenditures for safeguarding against the hazards of life.

(d) Savings, which represent the overplus of the other factors. Keeping down the first two augments the latter two, and when the first group absorbs a major portion of the income the other three must suffer.

The hazards of life in turn group themselves into four divisions: Sickness, unemployment, accident and death. Aside from death, the greatest hazard of life is sickness. It has been well said that "more people are doomed to economic dependence and destitution by sickness than by any other cause—in fact by all other causes combined." Illness is no respecter of persons and selects its victims without regard to social condition.

It has been estimated that the average period of sickness for working men is about nine days per year. This in itself would not be a serious factor, were the sickness divided evenly among the workers. Those who depend upon the weather for working conditions lose far more than this amount of time every year, but they prepare for it and arrange their affairs accordingly. If sickness came to all uniformly, the worker merely would have to save nine days' pay and provide for medical care and this hazard would be met. But the law of averages does not apply to the individual in such cases, for one man may not be sick at all while another may have a prolonged illness. The law of averages benefits only those who assume the burden of protecting the group, and who base the cost upon the known ratio of losses. An insurer might assume with safety that the average time lost by the group would be nine days per man per year; but the individual cannot tell how much his share will be. The same basis of inquiry warrants the conclusion that 80 per cent of workers will escape serious illness and 20 per cent will assume the full burden. Of the 20 per cent 65 per cent are sick from four to eight weeks; 7 per cent are sick from eight to twelve

weeks; 6 per cent from twelve to 27 weeks; 3 per cent more than six months, and 1.3 per cent are sick for more than a year. Into which of these groups the worker will find himself cannot be known. Ordinary thrift easily may provide for a short illness, but for the prolonged siege it cannot ordinarily provide. It has been estimated that three-quarters of a million workers face the problem of providing against sickness running from three to twelve months.

The hazard of accident applies to everyone. The iron worker knows that every moment of the day he is in peril from a misstep. He knowingly assumes this risk; but the man walking in the street under him may, for the moment, be in greater peril. In one case the danger is known; in the other it is unknown. With the advent of the automobile, the hazards of life have increased greatly, both to the occupants of cars and to pedestrians. This risk also may be averaged over a large number of people, but the individual hazard cannot be measured.

So great has the risk of accident to the working class become that in 42 states workmen's compensation laws have been passed. The burden thereby is taken from the individual and spread over all the people. Individual thrift has not been able to provide adequately for this risk because of the possible seriousness of the accident, and the insurance principle has been applied, both to measure the risk and to assume the burden.

WORKER IS BESET

The hazard of unemployment besets every man who works, due to sickness, old age, accident or business conditions. Periods of depression throw the worker out of his job. Strikes and changing habits of the people also bring idleness. One need but walk through the parks of any large city during working hours to get an object lesson in this respect. One of the saddest of sights is a man looking for work, ill prepared to withstand a siege of idleness. Those who depend upon spasmodic employment probably become accustomed to periods of idleness, but to the steady worker it is a calamity. I cannot conceive how a man who faces the fact that any day may find him idle can be happy or contented in his work, unless he is properly prepared to meet the issue with money in the bank.

This element of unemployment is more acute in the large

cities than in country districts. It is less a calamity to the unmarried than to the married. It is less severe to the robust man than to the weak; less to the resourceful than to the man of limited powers. I can well imagine how the loss of a job to some men is well nigh a death blow.

Old age may be considered a measurable risk. Nevertheless, it may be termed unmeasurable, for who knows what the future has in store? This hazard really involves all the other hazards. A man may suffer from none of the other risks and by his thrift may have provided for old age, but on the other hand, he may have been prevented from making due provision for the future by reason of the hazards which have come to him in the present. A limited few go through life and escape all the pitfalls that are open to men. One of the traps (to use a golf term) is bound to get him into trouble.

The risks assumed by the average man and the realization of these risks prevent the great mass of humanity from becoming independent in old age. The Ohio Health and Old Age Insurance Commission made a survey some time ago which showed the following facts: Out of 500 old people in private institutions for the aged, 40 per cent were there on account of previous sickness; about 20 per cent were there on account of misfortune; 12 per cent through intemperance; 12 per cent on account of low wages making saving impossible; 10 per cent through waste and 6 per cent through unknown causes.

Of 1,600 inmates of public institutions, 36 per cent were there through sickness; 11 per cent through waste; 29 per cent through intemperance, and 11 per cent on account of low wages.

Of 150 property owners, 70 lost their property by business failure, 61 by poor investment, 17 by unwise loans, two by illness and nine by improvidence.

BASIS OF INSURANCE

The basis of all insurance is the law of averages, now worked to a scientific nicety. Thus, it has been determined that out of a group of men at the age of 30, a certain number will die each year for a period of years. Just which ones will die is not known, but the insurer is protected by the known yearly expectancy.

The individual is not so protected. Out of a group of

people 65 years old, one-half will live to be 81; of those who reach 81, one-half will reach 85. Therefore, even though a man provide for himself until he is 65, he has no assurance that he will not be one of those who will need support until he is 85. The savings that would carry him to 65, might have to be stretched twenty years, or longer.

The only way for the individual to surely protect himself against the hazard of a long life is through an annuity, good as long as he may live. The individual cannot measure the span of his life, but the insurance company can measure the life tenure of the group accurately and guard each one in the group.

A man may avoid sickness to a large extent by proper care of himself. He may prepare for it through saving. He may have a bank account to fall back on while out of work. The law in many states protects him if he is injured while working at his task. He may prepare for old age in a measure by the same process; but many have acquired independence, or near independence, only to have their savings swept away by unwise investment, sickness, or some other calamity that left them impoverished. Such a person might fall back on his family, but they might be as badly off as he.

Insurance steps in, however, and offers him reasonable assurance that old age will not find him penniless. The endowment policy, which is a form of compulsory thrift, is for this purpose, and is perhaps the best form of insurance for many. But the great mass of humanity is not forehanded enough to see the necessity of this protection until too late to obtain it cheaply.

Some may decry insurance as unnecessary, but in the vast majority of cases it is the one great anchor to the windward in its protection to dependents. What greater comfort can anyone have than to know that come what may, the family is provided for? If every man knew he was going to be sick sometime, he would get ready for it. If men knew when they were going to die, they would set their house in order. If men knew how long their earning power would last and how long they would hold their present jobs, they would save up for the rainy day. But even jobs that were supposedly for life have ended suddenly, leaving the holder facing a world of little sympathy.

Saving by itself can seldom prepare for the more extreme

uncertainties of life. Individual thrift scarcely can provide protection against extra hazards because we cannot judge their coming by an individual yardstick. No one can tell whether he will be free from illness ten years or one. No one can tell whether his job will sustain him through life and his family after him. There must be group protection, whereby the many protect the few. Thrift must consolidate its efforts on groups, protecting all alike by the law of averages. Those who live pay for those who die, and all dying pay for each other.

The Massachusetts experiment of linking life insurance with savings bank operation never has gained wide-spread favor. The idea is fundamentally sound, but not easy to promulgate satisfactorily. The worker must be made to see the necessity of safeguarding himself of his own volition. It is for him to determine the proper amount of protection in the light of known facts, and in every man's budget there should be an apportionment for insurance as large as he can pay for conveniently. I have known many cases where the insurance premium carried with it distinct sacrifice and entailed no little hardships, but these were all forgotten when the day of realization arrived.

Thrift can perform no greater service than to encourage proper insurance against the hazards of life. We do well to stress the point that individual thrift cannot make sure provision for misfortune, but that group provision will insure proper protection against the unknown factors of life.

MONEY SAVED IS STORED LABOR

It is a principle of barter that the value of the articles traded is measured by the amount of human effort expended to procure them. The trader, whether a savage or a more civilized being, establishes the price of his article by its cost to him in effort. His necessity may influence his decision, and this is always a factor in trade of any kind; but in the ordinary course of events a fair return is the object sought. If two men were to seek an exchange of goods, and one had a bow and arrow that represented skill and much labor, and the other a basket of fish that he had caught in a few hours with little effort, the fundamental idea in the minds of both would be the cost to him in time, work and skill.

As a barter became cumbersome and difficult in effecting

fair exchanges, and money in some of its many forms became the measure of value, this principle did not change, as the possessor of the money still had in mind the effort required in order to obtain it.

In economics money has several uses, among which are: (a) a measure of value; (b) a common denominator of values; (c) a medium of deferred payments, and (d) a storehouse of value. This discussion has to do with the latter. The proposition may be stated in more simple terms, thus: men labor for money in order to buy goods, and when their needs are satisfied, the excess money in hand is retained for future uses. In the last analysis the money represents stored labor.

The storehouse of labor is created thus: the worker labors in order to provide himself and family with the necessities of life. He then desires some of the luxuries and labors a little harder. When these are obtained he looks forward to the time when he cannot work and establishes a savings fund, be the form what it may, in which he accumulates money. The money, however, merely represents the overplus of his efforts which he did not consume for current needs and has been laid away for future use. His savings fund is therefore stored up effort. Otherwise men would only work for their immediate needs and there would be no use to work harder or longer than these needs demanded.

The incentive to increased labor lies in the ability to defer the enjoyment of the fruits of labor to another time. Thus men save.

I have seen many cases where men have worked and accumulated money and then lost it. As they have told the story of their misfortune, an outstanding factor is summed up in the lament: "And I worked so hard to earn this money!"

The tragedy lies not only in the fact that the money is gone and with it the purchasing power it possessed, but also in the fact that the effort that produced it has accomplished nothing. Every loss that ever has been taken by a bank depositor has carried with it this deplorable fact. Time and money thus lost is like water that has gone over the dam and never can return. Even if replaced, the loss still remains.

We have heard much of late about the prodigality of labor. Never before has labor received such handsome returns for effort as during and since the war. Consequently

the working man has enjoyed the good things of life more freely than ever before. The reason lies in the fact that his dollars have cost him less in effort, consequently they may be spent more freely.

Two incidents illustrative of this observation are appropos: It sometimes happens that I do a favor for some client that results in a box of cigars—usually good ones. At one time I received a box of well-known but expensive cigars that retail for 55 cents each. Being too large and too strong for my taste, I asked my tobacconist if he would trade (barter) fifty small cigars for 25 large ones. He said he had occasional calls for such articles and we made the trade. A few days later I asked him how my cigars were going. "Very well," he replied, and out of curiosity I asked him who bought such cigars in our town.

To my amazement, he told me he was selling them to a bricklayer. I then began to philosophize: Why does the bricklayer buy the banker's cigars?

The bricklayer is simply following the rule laid down herein. Time was when he earned about \$4 a day, or fifty cents an hour. Then no doubt he bought at the most ten-cent cigars. He would work half an hour for a cigar that would last him approximately as long; but now when he is receiving \$1.50 an hour, he is willing to work twenty minutes for a fifty-cent smoke. He measures the value by the effort, that is all.

I stood one day at the counter of a department store looking over a sale of men's shirts. Beside me was a colored woman. The offering was good enough for me, but while I was making a selection, she said to the clerk, "Haven't you anything better?"

He directed her to another lot at \$1 more and she made her purchase. Her money, too, no doubt comes so easy that she can afford to buy better shirts than her banker friend, who also can afford, but will not buy, the high-priced articles labor is indulging in.

WORKERS DEMAND THE BEST

My butcher tells me that the working man now is demanding the best cuts on the block. The fruiterer and the haberdasher confirm the butcher. Some one will say: "Why not let them enjoy the fruits of their toil and have some of the

good things, too?" Correct. But at the same time, who knows how long the unheard-of wage scale will continue? And would it not be better for the worker of today, enjoying the high tide of prosperity, to store away some of his excess labor for the rainy day that must surely come?

A woman argued for half an hour with me one day to prove that the man earning \$40 a week is entitled to a car and a good home and all that goes with it, on the theory that other people enjoy like pleasures. She thought the poor man had his rights in this respect as well as the better off. But she forgot that luxury to the well-to-do may represent only a small fraction of the income, while to the poorer class it may represent the major portion.

There are forms of stored labor that often result in disappointment. I refer particularly to improvements in real estate that are charged to principal and not to unkeep or running expense. Many individuals spend time and money improving their homes and expect to get it back in case of sale. But buyers will not pay for sentimental improvements. For instance: The building of an addition, such as a sun parlor, would greatly enhance the enjoyment of the owner, and the beautifying of grounds will give much satisfaction, but these factors do not always add to the selling price of the property.

On the other hand, money spent in improvements sometimes will come back two fold. Thus, every dollar spent on a run-down property may add two dollars to its selling price. Considerable sums have been realized by those who appreciated this fact, and bought old property during a low price level and brought it up to a better condition. A single instance was that of a property bought for \$6,000. About \$1,000 was spent in renovation and improvement with a selling price of more than double. In such instances labor and money is not only stored but is multiplied.

BUDGET IDEA SOUND

The budget idea is fundamentally sound in that it gives the worker, whether by brain or by brawn, a minimum amount to produce before the budget requirements are provided for. Anything beyond the set figures may be used for additional pleasures or saving as he prefers. He thus regulates his life by a plan, which may or may not include

storing of labor. At least he knows what his minimum exertion must be. His labor storehouse can then be as large as he may choose.

It is an accepted fact that most of the workers can, if they will, produce more both in money for themselves and goods for the employer. Frequently the trouble lies in the inducement offered. A large factory in New York is now operating on the plan of dividing with the workers what they save in labor costs. It has fixed what is considered a fair labor cost for each unit, and any saving in this item is divided between the owners and the men. They find that 700 men are now producing more articles than 800 formerly did. They not only share this saving, but withhold the full division until the end of the year. In other words, they are not only storing labor for the men, but holding back the realization of the saving until a stated time, thus destroying the opportunity to waste as fast as the benefit accrues.

What is true of this group is applicable to all. Labor can be made to earn more for itself only by earning more for the employer. The fairness of this method is the sharing of the results.

There never has been nor can be a more perfect medium through which the worker may store up his labor than the savings bank. It has many points of advantage: it allows him to store his labor in small lots; it guarantees a safe storehouse; it pays him interest while his money is in storage, and it guarantees the return of his efforts when he wishes. The well-nigh perfect record of the savings banks during the last half century in returning the principal in full is enviable. This record eliminates the worry that the storehouse may some day fail him.

A bank failure means more than the loss of money and the labor involved in the storing process. It means destruction of the incentive to work, save and store, and when this is gone everything that makes for good citizenship in financial matters is gone. When a man suffers a loss that results in a resolution not to save, it is a calamity. The savings bank is the perfect cure-all for such a possibility. Too much stress cannot be laid on this aspect of saving.

It is true that no saving process or medium can guarantee that the purchasing power of the stored money will not change. The worker who saves his labor in the form of money must accept the risk of changing prices.

There are many sides to the psychology of saving that appeal to the worker, but the idea of storing up his surplus labor in a savings bank seems to me to be the most logical of all. With a record for safety equalled by few savings media, and unsurpassed by none, the savings bank might well emphasize this idea, but in terms the average man can understand. Perhaps he has never thought of it in this way, but he will quickly grasp the point.

CHAPTER V

THE SAVINGS BANK A PUBLIC BENEFACTOR

No institution that is of a quasi-public nature, and which must depend upon the good will of the public for its support, has any right to exist unless it can give a good account of itself. In the past and in the present, it must show itself *worthy*. If it claims to be a philanthropy, it must prove itself philanthropic; if it claims to be a public benefactor, it must show that it makes "two blades of grass grow where but one grew before." It must "square itself" with the world, or we shall be justified in classing it as a false claimant for honors and unworthy of our confidence.

Unless the world is a better and safer place to live, and richer, withal; unless life is more worth the living because the savings bank is here, it has no right to claim the unremunerated services of thousands of good and busy men whose sole reward is "empty honor," the protection of the State, and the confidence and monetary support of its millions of depositors. The hospital is the Great Samaritan; the school is the Great Teacher; the church is the Great Temple, and the library the Great Book. Can we not find a place in this "hall of fame" for the savings bank—and shall it not be the *Great Treasure House*?

From the standpoint of the depositor, the savings bank is not a necessity, like the bank of discount—it is rather a luxury. This statement may be tested by asking any hundred business men if they keep a *checking account*, and if they could conveniently do business without it, and probably ninety-nine would answer "Yes" to the first question and "No" to the second.

But ask any hundred people if they keep a savings bank account, and if so, could they get along without it, and the answer would undoubtedly be—leaving aside the question of safety and interest—it is a convenience only.

Herein lies the difference in banks. The business bank takes care of the *capital*, the working balance of the nation—the savings bank looks after the *surplus*. Until a man

has saved more than he needs in his business, his home, his profession, as working capital, he does not need and would not use the savings bank (speaking of those institutions which do not loan on personal security, or handle checking accounts or make collections) however much he may need the facilities offered by the "business bank." In building up, therefore, the business of a commercial bank, we may approach a business man and say, "You need a bank; you cannot do business very well without one; you probably now have an account *somewhere*—why not bank with us?" Not so, however, in appealing for the savings bank. You cannot take it for granted he has money to bank more or less permanently at from three to four per cent., and the best you can do is to say, "When you have some money *saved*, let us *invest* it for you"—with accent on the *when*.

The money used in business belongs in the bank of discount; the rainy day fund, the old age pension, the funeral benefit, idle money awaiting investment belongs in the savings bank. The *reason*, therefore, for the savings bank is two-fold: First, to afford the poor and those of small means a *safe* depository for their savings; second, to enable them by combining small sums to invest them safely and profitably.

A COLLECTOR AND DISTRIBUTOR OF WEALTH

The services rendered by the savings bank are many and varied; but as a broad statement it may be said that it acts first, as a vast *collector* of wealth, a storehouse, as it were; and, second, a great *distributor* of wealth. Like a sponge, it must first gather in before it can give out. In its ingathering it serves the individual, and in its distribution it serves the individual, the community and the State. It is, perhaps, the greatest assembler of money the world knows, and is one of the chief sources of available capital for municipal and corporate enterprises.

THE POWER OF ACCUMULATED LITTLES

The savings bank is first of all a depository. It is a *safe* depository. The idea in starting such an institution, a century ago, was not that the people might have the benefit of *interest*, but, primarily, that they might *conserve their*

principal. The interest rate is, or should be, a secondary consideration, a minor factor alongside the accumulation of principal. Savings banks have been all too prone to emphasize the fact that a dollar at four per cent. is equal to \$1.04 at the end of a year, neglecting to emphasize another self-evident fact that two and two make four. The savings bank idea is not to offer large *inducements* in the way of interest; but to offer large *possibilities* in the power of accumulated savings.

As important as the question of interest rate may be in some instances at this time, the success of the savings bank is not due to the mathematically-correct proposition that a dollar at interest for a certain time at a certain rate is equal to a certain amount; but, rather, to the similarly-correct proposition that a hundred cents make a dollar; and irrespective of the interest earned, a dollar deposited weekly for a year means fifty-two dollars at the end of that time, and fifty dollars bound together have far greater power than fifty-two dollars scattered.

The savings bank was never intended to make people rich by the accumulation of interest, but by the *accumulation of capital.* Safety of principal has ever been the watchword, and both in England and this country, government bonds were the authorized investments until the funds became so large that other forms of investment had to be found, and the doors were opened to real estate mortgages and municipal and corporate securities. The savings bank says to every man, woman and child, "Here you may leave your money in whatever amounts you can spare, in full assurance that you can have it again when you will, upon giving us due notice. Ask us, first, to give you safety of principal, and afterward only that interest which we can safely pay."

That this depository feature is a service of no mean dimensions is apparent when it is remembered that the average man has no *safe* place to keep money, and the newspapers frequently bring us stories of those who have become suspicious of the banks and in their distrust have endeavored to be banker to themselves in some unused stove or garret to their lasting sorrow. The stories of the thousands the savings bank has helped, merely as a depository for their savings until enough was accumulated to accomplish a definite purpose, would afford interesting and inspiring read-

ing, and in this it has performed a unique and valuable service.

The principle of philanthropy that a man is best helped when he is given a chance to do something for himself has one of its best exponents in the savings bank; and when the savings bank starts out to encourage habits of thrift and industry, it is in a class by itself. No other institution has done half so well. In providing a convenient place where the thrifty man may leave his money with full assurance that it will be safely kept, and profitably invested for his account, and handed back intact, with a little interest for good measure, it renders him a service as distinct and beneficial as if it were to buy him a ton of coal or give him a suit of clothes. Through the school savings bank or through the stamp system the child may save a penny; through the home bank the youth may save the dimes and the quarters; through the dollar deposit feature the seven-dollar-a-week clerk may save his dollars. It knows no race, no color, no creed. Money in hand is the only credential, and it will take the little sums and the big, combine them into a mass, and, reserving enough to meet current demands, proceed to invest them safely for the *depositor's* account.

Here the widow with her mite or with her dowry; the legatee with his inheritance; the worker saving for a home; the youth struggling for an education; the saver laying aside for old age; the miser with his hoard, pool their savings, and it becomes a common fund with an *uncommon* power; or to express it in the language of the court:

The general object of the savings bank is to *combine* small amounts for the purpose of making the *combined* deposits more available for advantageous investment.*

If the vast accumulation of savings deposits, representing the savings of the people lodged in the *banks* of this country, were simply locked up in vaults, the country would be the poorer for having the saving habit with us; but when this is scattered to the four winds in the form of loans on real estate, loans to cities, States, counties, school districts, towns, railroad and other corporations on their promises to pay (bonds) it will be seen that it not only gathers as with a fine-tooth comb but scatters with a generous hand.

**Lewis v. Lynn Inst. for Savings*, 148 Mass. 235.

TO THE SAVINGS BANK—DEBTOR*

On the second of December, 1916, the savings bank movement in this country rounded out the first century of its existence. By the test of time, therefore, the savings bank would seem to have earned its right to survive; but other institutions whose work is destructive and not constructive have lived quite as long. And unless the savings bank can give some better reason than its age for its right to exist, it has little to commend itself to thoughtful men.

We do well to consider, from time to time, the work we do; the way we do it; whether it be worthy and well done, a benefit to society, and, therefore, lasting. Let us inquire briefly into some of the reasons why the savings bank is entitled to an honorable place in our financial scheme.

In a highly developed state of civilization, there is room for and need of specialized institutions, peculiarly fitted to do a particular work. Thus in the field of finance, we need an institution to gather capital; another to utilize and employ capital; and another to administer the wealth that arises from the employment of capital.

The savings bank is the great gatherer of capital—the greatest assembler of money the world knows. It is the great reservoir for the little streams. The bank of discount employs capital, and the trust company (in its fundamental conception) administers the wealth capital creates. While these activities lock and interlock, and often exist in the same institution, particularly in the trust company, the mutual savings bank has always hewn close to the line of its original purpose—the development of thrift and the accumulation of capital.

THE SAVINGS BANK DOES NOT DEAL IN CREDIT

The savings bank is not a dealer in credit; it is on a strictly cash basis. The bank of discount is largely on a credit basis. The latter utilizes capital already gathered as the basis of credit; the savings bank accumulates its own. The bank of discount creates credit and credit instruments, and in the Federal Reserve System, under the acceptance

*An address (adapted) by the author at the annual meeting of the New Jersey Savings Bank Association, May 20, 1914. Published in the Banking Law Journal, June, 1914.

principle there permitted, *lends* its credit. But savings banks receive on deposit nothing but cash or its equivalent; they pay in cash or its equivalent; they lend, not credit, but money. Their deposits are never the proceeds of loans, and their loans are never in the form of credit.

THRIFT THE BASIS OF ALL PROSPERITY

The bed rock of all prosperity, national, corporate and private, is thrift; and the savings bank is its chief advocate. That habit of spending a little less than is earned; that habit of laying aside a bit from the week's earnings; that haunting fear of old age; that rainy day we all dread, is the very foundation of our well being. Without the thrift habit the savings bank—yea, the nation—would soon decay, and without the savings bank the thrift habit would lose its chief exponent. It is the foundation of every great fortune and of every great nation which history records. The lives of great men all remind us, not only that "we can make ours sublime," but also that if we ever achieve financial success it must be through the habit of thrift.

WASTEFUL AMERICANS

We Americans are just awakening to the fact that we are a nation of wasters. We build vast reservoirs costing hundreds of millions, to impound a water supply, and let it run away at the taps. We waste enough food to feed an army. We cut down a tree in twenty minutes that took a century to grow and let it rot where it fell. Our wood supply will be exhausted in seventy-five years, in some sections in fifteen. We build houses—not to live in, but to burn down. We waste time. We waste money. We measure the quality of a meal by the waiter's check and the cabaret that is thrown in. We eat lobster on a ham and beans income. We drown the New Year in champagne and joy ride when we ought to walk. The redeeming feature of it all is that the waste of money cures itself: for when it is gone there is no more to waste.

We do well to consider this question of thrift, for while it may seem a threadbare subject, yet in real life it is a very timely topic and never old, and if this institution is to live and continue its good work it will be because it has helped perpetuate the thrift habit in the individual.

The ultimate success of the savings bank depends, not so much upon the interest rate, as important as that may be in a day of keen competition, but upon the multiplied savings of the masses. The red ink figures are not so important as the black credits, for by encouraging the black it increases the red. The black entries are the evidence of *present* thrift and the red ones the *reward for past thrift*.

THE INDIVIDUAL'S DEBT

Now what does the depositor owe the savings bank? What has it done for him? In the first place, it has provided a safe place of deposit for small savings. Some banks will accept even a nickel on deposit. Some of the large New York banks accept dime deposits. However this may be, they accept small sums. They agree to invest these according to law in the very best grade of securities known to finance; to pay a reasonable rate of interest; to return the funds upon due notice and usually upon demand; and to insure the full return, they have held out in the past, and continue to hold out in the present, part of the earnings as a surplus, or guaranty fund, for the benefit and protection of all. In other words, it says to the individual, "Leave your money with us. We will invest it for your account; pay you back upon demand, and for the service *we render, will pay you, say, four per cent.*!" Is there any institution that does quite so generously? Does the church, or the school, or the hospital or the library pay its devotees for the privilege of working for them? On the contrary, it costs you money, as you all know, to be a patron of either.

Suppose there were no savings banks; where would the people go? Where would the man with a hundred or two hundred go for safety? Would he buy a bond? He doesn't know bond values and doesn't know how. Would he buy a share of stock? Would he rent a safe deposit box and stow it away carefully? Suppose he had only ten dollars, and the ten dollars meant much to him. Where would he keep it in safety, perfect safety?

The history of all get-rich-quick schemes amply demonstrates the fact that the average man cannot be trusted to invest his own savings. The money, as a rule, is hard earned; and because of this fact, the owner is apt to endeavor to make it earn too much for him, and in the en-

deavor lose most if not all. The savings bank comes in, and offers him without charge, the services of experienced men. He is, in short, getting expert service, with a premium besides. *A man is saved from his own folly.*

THE COMMUNITY'S DEBT

But if this were all the savings bank did, its work would only be half done. It would be a miser, a detriment to the community. To gather water makes a mill pond, but it turns no mill wheels. The water must be let out as well as brought in. And in its outgoings, the savings bank proves itself as useful and indispensable a factor in civic life as in its ingatherings.

Perhaps its greatest benefit to the community lies in the mortgage loan. Now the mortgage is the great percolating agency of savings bank finance. The bank gathers funds from here, there and everywhere. They amount to, say, \$50,000. A builder wants a building loan to erect an apartment. You agree to make the loan. He starts operations. The mason, the carpenter, the plumber, the painter, all get busy, and the savings bank fund, gathered from the many, finds its way back, through the pay envelope, into the hands of the masses, who, by the habit of saving a little at a time, through the agency of the savings bank, accumulate another fund for another operation. Not only does this process affect the wage earner, the butcher, the baker, the grocer at home, but wherever they quarry stone, or cut timber, or burn brick and cement, the reflex benefits are manifest. Take the savings banks of New York City out of the mortgage market, and you injure industries in every part of the country.

Imagine, if you can, the potency of a fund of over a billion dollars constantly turning over to effect for weal or for woe, the industries of a great nation.

It means very much to a city that there is in its midst as great accumulating agency, such an institution; and it means more that it takes the money it thus gathers and puts it back into the homes and shops and business places of the community. The funds it gathers from the cultivation of its field, like good fertilizer, go back to enrich the soil, and no bank should rest content until every man, woman and child of a saving age, and with an earning

capacity, has become a victim of the saving habit—the best of all habits to acquire, and the easiest to learn if properly taught.

THE STATE'S DEBT

Not only in its mortgage loans does the savings bank benefit the community, but also in its bond investments. It is conceded that the savings banks and insurance companies (both thrift institutions) are the largest buyers of municipal and corporate bonds in the country. And in the purchase of the former the savings bank plays the same role as in the mortgage loan—a builder of cities. The state, city, county, village or school district that needs funds for public works, such as water, sewers, schools, parks, roads, pavements or public buildings, secures the money by bond issues, sold in the main to the savings banks.

The citizens of New York owe no debt to the city administration for all the improvements of a great city. Her water system may be the costliest in the world, her parks the most valuable real estate on a continent, her subways marvels of engineering, her public buildings temples of marble and bronze, her schools the best in the land, *but thrift built them all.* And the savings bank as an institution has ever stood ready to buy the bonds of the great metropolis for whatever purpose issued so long as the security was prime; and issue after issue has come out for one purpose and another to find a ready market in the savings bank and similar institutions, whose faith in the big city was evidenced by such investments.

The mortgage loan is, as a rule, more or less local, in many States, being confined strictly within the borders of the State. In the bond investments, however, broader latitude is permitted. Thus, New York savings banks can buy the bonds of any city of 45,000 population whose debt does not exceed seven per cent. of the assessed valuation. And as a broad statement, it is quite true that every important municipal undertaking anywhere in the United States is financed by the thrift money the savings bank has gathered. And in this disbursement it performs, in a larger sphere, the same beneficial work as in the more restricted domain of the realty loan.

A still further service to the nation at large is rendered in the field of corporate investment, particularly in the mat-

ter of the railroads, whose securities are held to the extent of many millions.

The debt of the railroads is not to the money market, but to the thrift funds of the nation, that the cost of capital to many of them is but 3½ per cent. or less. And in such investments, the same process obtains as in the mortgage loan, perhaps covering a wider sphere; for wherever the railroad disburses funds, there the beneficent work of the savings bank follows.. Money gathered in New York may be disbursed in Texas, and the savings of the thrifty Maine farmer may pay the lumberman for ties up in Oregon.

THE SAVINGS BANK HAS NO MONOPOLY

There was a time, not so many years ago, when the only place of deposit for thrift money was the savings bank; but that is no longer the case. Banks of discount and trust companies have realized the possibilities in this line, and have energetically cultivated the field once reserved to the savings bank. Such institutions the country over have opened savings departments, under various names, such as "interest departments," "special accounts," etc., issuing pass books like the savings bank, and accepting the deposit under conditions quite similar to the latter. And judging by results the experiment has succeeded.

For many years the savings banks had what was essentially a monopoly of the savings deposits of the nation; and even yet there are places where the commercial banks do not encourage such deposits. For instance, in one city in New York state, there are eight banks, three of them savings institutions. Of the five banks of discount, three do not accept savings deposits, and turn all such business over to the savings banks as a matter of courtesy. On the other hand, the banks of discount everywhere have, within the past twenty-five years realized the importance of this field and have waged an aggressive campaign for such money with great success.

The savings bank deposit is not of the same nature as a business account. It carries with it the toil of years, the self denials of life, the hope of the future—all that men live and work and sacrifice for. And it is thereby a sacred trust, because of what it represents. It should not be subject to the vicissitudes of business. It should not be risked. And

without reflecting in the least upon the judgment of the bank of discount men, it is but fair to ask that such funds be treated as investment funds and not speculative. The segregation idea is as fair to the bank as it is fair to the depositor. If the savings bank can make a living profit by investing in mortgages, and certain stipulated bonds, so can the bank of discount.

To ask the bank that reaches out for savings funds, whether in competition with a savings bank or not, to invest these deposits in savings bank securities is the fairest proposition imaginable. And as compensation for the very slight difference in earning power, the banks should not be required to hold reserves against these deposits, and the legal notice of withdrawal should be permitted. By this process both the bank and the depositor will be protected.

In its ethics sound; in its management able and conservative; among its patrons trusted and trustworthy; in the past honored and in the present honorable; in its aims high; in its benefits manifold and far-reaching, the savings bank is perhaps the highest type of financial institution, *as good as a monied institution can be.*

If he who makes two blades of grass grow where only one grew before is entitled to rank as a philanthropist, what shall be said of the institution that builds homes and schools and railroads and court houses and asylums where *none* were built before? A public benefactor indeed, not making one blade of grass two, but a whole ton of hay!

CHAPTER VI

THE SAVINGS BANK AS AN INSTITUTION

If an investigation as to the best *institution* for the cultivation of provident habits is applied to individuals, it will often be found that some form of insurance is the best; and it will not infrequently be found that the building association is the best. But the institution which seems to afford a high average of advantages, whilst avoiding the more prominent faults of these, is the *savings bank*. Perhaps its greatest advantage, which may indeed in many cases be a disadvantage, consists in the larger freedom it allows to its patrons. It encourages saving without prescribing in any way the *quantity* or regularity of doses of saving; and it leaves the depositor free to invest his savings at any stage of its accumulation.* "Of all the plans," says Malthus, "which have yet been proposed for the assistance of the laboring classes, the savings banks, as far as they go, appear to me to be much the best, and the most likely, if they should become general, to effect a permanent improvement in the condition of the lower classes of society. By giving to each individual the full and entire benefit of his own industry and prudence, they are calculated greatly to strengthen the lessons of Nature and Providence."

THE SAVING BANK IDEA

If we were to trace the savings bank idea back to its origin we would, in all probability, find that it had its beginning in the "sick and aid" and other friendly societies which have existed for centuries in many parts of Europe; for the savings bank is simply the culmination of the attempts of thrifty people to provide for the rainy day. Workmen in all parts of the world have organized societies among themselves, whose fundamental purpose has been to save a part of their earnings for slack times, sickness,

**Hamilton Savings Institutions*, p. 149.

old age and death. Such organizations have been formed with no other purpose than to accumulate a fund to properly celebrate Christmas and other holidays, or to finance, in an easy manner, an annual picnic, or similar occasion. A small amount of dues is usually required, and these contributions, enhanced by the proceeds of an annual ball or outing, provide the fund from which sick benefits, funeral funds, etc., are paid. Some of these societies even go so far as to make a division of the whole amount on hand at the close of the year and then begin over again. The social features, no doubt, form an added attraction inasmuch as the opportunity for rest and recreation is an inducement to join. The organization is often, even in this day, connected with a church, and in many instances, if not all, is productive of much good.

A perusal of the historical chapter will demonstrate the fact that the first attempts at savings banking were along this line, and the earliest banks were essentially such organizations. And it will readily be seen that any movement by which individuals combine their resources for mutual investment for mutual advantage is, in its essence, a savings bank. Building and loan associations, industrial insurance, fraternal societies, labor organizations and pension plans, are all, in the final analysis but modifications of the savings bank idea. The difference between the savings bank and such organizations lies in the fact that the savings bank never requires a fee for joining, or dues, or fines for failure to contribute. The management is perpetual, and except in a few States the members have no voice in the selection of the managing officials, who do not change except by death or resignation.

As soon as the earning power of money became manifest, philanthropists began to devise plans whereby these accumulations could be profitably employed, to the advantage of the community as well as the individuals; and, as has already been seen, the savings bank *as an institution* had its origin in such endeavors, and to the proper working out of the co-operative investment idea it owes its success—aided, of course, by the desire on the part of the thrifty to provide for the future.

THE SAVING BANK AS DISTINGUISHED FROM THE BANK OF DISCOUNT

The primary motive of the savings bank is not to make money, either for those who manage it or those who avail themselves of its privileges. In this, we notice a marked distinction between the savings bank and the bank of discount. The savings bank aims to keep money securely for the benefit of its depositors, and in the keeping, *security* is the first consideration, while profit is secondary. It lends its funds only that it may make the safekeeping of these funds profitable for those who entrust their money to it. If any profit accrues, it is to the *depositors* and not to the bank. The corporation is simply the agent or trustee for the whole body of depositors. The bank of discount, however, is organized (and properly so) for gain,—gain upon the capital employed in its operations.

The savings bank works with those unacquainted with the ways of business and who could not single handed take good care of their money, or invest it safely or profitably. The bank of discount is generally managed by business men versed in the ways of business, acquainted with monetary affairs, and able to conduct financial operations with intelligence. They combine their *capital* in order to make it effective; the savings bank combines *savings* in order to *make them capital*, and as such to acquire a power impossible to the scattered savings.

The savings bank is for the saver; its funds are invested permanently, while the business bank opens its doors to business men and loans rather than invests its funds, and for a short time only. The latter deals with borrowers rather than savers, and serves for hire. The one serves best by keeping—the other by lending. One *aims* at profit, while the other *never* makes (or should make) profit an end. The savings bank is the receiving reservoir for the little springs, the bank of discount is the distributing reservoir for accumulated capital.*

We must get the last idea clearly in mind or we get a misconception of the savings bank. However much the element of interest may figure in the management, and whether we pay depositors 4 per cent. or 3 per cent., or no

*Bolles' Practical Banking, p. 268 (adapted).

interest at all, the accumulation of interest is not to be compared in importance with the *accumulation of principal*.

No man ever acquired riches at 4 per cent. In fact, 4 per cent. upon small deposits is so trifling a matter that it may be ignored in considering the greater value of the increase of capital. However desirable the accumulation of interest may be (and this in the course of years is considerable) the chief end and aim of the savings bank should be the *accumulation of principal*.

The savings bank would make all men producers—savers. It offers the help of the successful and the strong for those who are weak. It enlarges the number of capitalists, reduces the number of paupers and tramps, and serves both the individual and the nation.

CLASSIFICATION OF SAVINGS BANKS

We may roughly classify savings institutions into:— First, mutual (trustee), or philanthropic; second, stock (including “savings and trust companies”); third, co-operative, or democratic, as exemplified in the co-operative banks of Europe. The first are usually managed by a self-perpetuating body of trustees, who do not share the earnings; the second are managed by the directors elected by the stockholders; the third are managed by officials elected by the members.

A second classification may be made into public and private institutions. The first includes the postal and municipal banks; the private embraces the mutual, stock and co-operative. A third classification may still be made into the “unit” and the chain system. In the unit system the bank is an independent entity and has no connection (aside from a managerial standpoint) with any other bank. The banks of the United States are all, excepting the Postal Savings Banks and a few branch savings banks, of this character. In the second, the bank is but a part of a chain, as in the postal system, the municipal banks of Germany and the co-operative credit banks of Europe.

TRUSTEE SAVINGS BANKS

The *original savings bank is the trustee bank*. The birth of these institutions is described at length in the historical chapter; but as Hamilton says, “It stands for the

attempt on the part of the well-to-do to improve the condition of the poorer classes, and involves a self-sacrificing service on the part of a few in the interest of the many." While many of the early savings banks partook of this character, others were organized from purely selfish motives and were characterized by bad management and bad faith from the start. A study of savings bank frauds* will amply bear out this statement.

The "spirit of commercialism" hereafter spoken of has invaded the domain of the mutual savings bank and it cannot in truth be said that some of the newer banks were organized from any spirit of philanthropy, although the management as a whole may be above suspicion and honorable in the highest degree.

The early English banks were of the trustee type and were probably due to religious impulses, being in many places part of the church work, and were doubtless intended to ultimately relieve the parish of its burden of poverty.

In the United States the mutual savings bank has never been able to get west of Buffalo or south of Baltimore, at least not to an appreciable extent, as a study of chapter VII will demonstrate. It has prospered where it began operations in 1816, in the New England and Eastern States. Just the cause for this is not apparent; whether the idea has not appealed to the well-to-do in other sections; whether the form of institution is not adapted to the West and South; whether it has been true that "nothing succeeds like success"—and never having been given a good chance to succeed in those sections, success has not followed, is merely a matter for conjecture. The mutual bank requires an old community, a philanthropic spirit, and sentiment. The South, impoverished by a costly war, has been busy with other things, and has had but little of such funds; while the West was not, like New England, settled from religious motives, but for the purpose of making money, and has neither the age nor the sentiment which creates savings banks of the mutual type. The rugged hills of New England would not seem propitious for such an institution; but her rugged hills, furnishing cheap power, has made manufacturing a

*See Lewin's History, Keyes' History, and "Savings Bank Failures in New York" by W. S. Paine.

specialty, and where manufacturing goes, the savings bank follows.

But, however this may be, the mutual savings bank is a product of the East and promises to remain so in spite of the fact that some of the Western States have very good, if not excellent, savings bank laws.

The distinguishing characteristic of the trustee savings bank is *mutuality*. The relationship that exists between the bank and its depositors is more fully described elsewhere; but for present purposes suffice it to say that *all* the earnings of the bank, less reasonable administrative expenses and the apportionment to surplus or guaranty fund, are divided among the depositors in the form of interest.

The organization of a mutual savings bank from the time of its inception to the opening of its doors for business is treated at length in another chapter, and need not be reviewed here; but one or two features of the mutual bank may be mentioned without repetition, and these are: First, the investments of such institutions are usually carefully restricted, looking primarily to the element of safety; and as long as the trustees keep their funds so invested they cannot be held, either in law or morals, responsible for losses. Second, the predominancy of the mortgage loan. The nature of the deposits being more or less permanent, investments of a permanent character may be made without fear of a sudden demand for their return on the part of depositors; and to safeguard the banks from such unexpected calls, quite generally trustee banks are permitted by law to require notice, the usual time being either sixty or ninety days.* In Philadelphia and Wilmington, Del., notice of withdrawal on all sums is required, running from two weeks upwards, but in some cases is waived. The third distinguishing feature is the self-perpetuation of the board of managers. No amount of money can *buy* a man's way into a mutual savings bank. He cannot, as in stock concerns, buy enough stock to vote himself into office—he can only gain office as the other men advocate his cause. And on the contrary, he cannot be voted out of office. Only an act, such as bankruptcy, (which voids his office), can affect him,

*No bank of discount is permitted to ask notice of withdrawal except on its "savings account," upon the opening of which the depositor agrees to give such notice; but on checking accounts it must pay on demand. The withdrawal notice is a distinctive feature of the savings bank.

and like a Supreme Court judge, he is appointed during good behavior.

The greatest weakness of the trustee bank is this: Lacking the essential element that prompts men to undertake such ventures (profit), it does not appeal to the average man of means unless he is sentimentally inclined; and not being indispensable to trade and commerce, like a bank of discount, it has not come to be a commercial necessity. Even in a great State like New York we find twenty-eight counties with no savings banks. And in many of these counties there are large and thriving towns and cities.

"In seeking an explanation of the remarkable success of the trustee system," says Hamilton, "we are reminded that New England is singularly separate and distinct in its customs, habits and ideals from the rest of the country. Notwithstanding the large foreign population, the dominant type is more homogeneous and more Anglo-Saxon than it is in any other section, and therefore fixed customs have been more rigid and controlling. Among the ideals behind the customs and institutions must be noted a stern, Puritanical sense of simple living, industry and providence, and this spirit is so strong as to be well calculated to give color and direction to the philanthropic impulse. There is also an unusual amount of public spirit, of collective rather than a neighborly character, as seen in the institution of the town meeting."

STOCKS SAVINGS BANKS

The stock savings bank, where it is a *savings* bank, and not a bank of discount under a savings title, differs in no essential degree from the mutual institution. The mutual bank belongs to the depositors; the stock bank to the stockholders. The mutual bank pays dividends to depositors only; the stock bank pays dividends to both stockholders and depositors. The stock bank does not pretend to be philanthropic in its management. It is purely a business proposition, and where the investments are of the accepted savings bank type, it can justly claim to be on a par with its mutual friends, provided, of course, that it measures up to the standard in its management.

As is implied in the term "stock," it issues capital shares and pays dividends thereon. It has, therefore, the added protection of the stockholder's liability, which, together with

the accumulated surplus, affords the element of strength so necessary in all financial concerns. It usually pays the depositors a stipulated rate of interest, and the profits beyond this belong to and are distributed to the stockholders as dividends. The partnership idea is entirely lacking, and the depositors get what they bargain for, while the surplus goes to those who invest, not necessarily their savings, but their *capital*, and assume all risks of the business. It could not in law or equity "scale down" its deposits to make good any losses,—a feature peculiar to the mutual institution.

In this respect one thing is certain: In so far as safety is concerned, especially in a young bank, the stock bank with the stockholders' liability is surely superior to the mutual, unless the trustees of the latter are of such high order and of such financial worth as to be able and *willing* to assume the burden of any losses that may accrue until the surplus or guaranty fund affords ample protection. This was the trouble in the early days of the mutual savings banks in England. Frauds and defalcations crept in and brought heavy losses upon the banks, and there being no guaranty funds of sufficient proportion to make good the losses, and the protection afforded by the trustees being little or nothing, the burden fell upon the depositors with unusual severity, in many cases the losses being well nigh absolute. The same was true of many of the banks that failed in New York in the seventies. Had the interest of the managers been *financial* as well as selfish, sentimental or political, it is quite likely the administration would have been of higher order.

GUARANTY SAVINGS BANKS

New Hampshire is the only State in which "guaranty savings banks" will be found. These are a combination of mutual and stock—a cross between the two. They do not transact a commercial business, being strictly savings banks in their functions, yet having "special deposits," which to all intents and purposes are capital stock. In a letter from Hon. R. H. Scammon, Bank Commissioner for New Hampshire, to the author, under date of June 17, 1908, he states in this regard: "The guaranty savings bank differs from the ordinary mutual savings bank in that it has capital stock or *special deposits*, as they are called. It pays a certain stipulated rate of interest to its *general* depositors

and any surplus of earnings above this dividend is available for dividends on the capital stock or special deposits. These special deposits constitute a guaranty fund for the general depositors, and the charter ordinarily stipulates that the special deposits shall always equal ten per cent. of the deposits."

The New Hampshire laws of 1893, Chapter 52, provide that "Savings banks incorporated and doing business upon the guaranty system* may pay such rate of interest as may be prescribed or agreed to, and all books issued by such banks recording first deposits shall state therein the rate of interest to be paid, and no changes can be made therefrom until after three months' notice has been given depositors. *The special depositors of a guaranty fund* in any savings bank incorporated and doing business under the guaranty system may vote to increase the said guaranty fund at any meeting of the special depositors called for that purpose. The amount of the increase or addition to said fund may be subscribed for and taken by the special depositors of said fund in proportion to their special deposits or by other parties in case of failure of said special depositors to take and pay for said increase or addition within ninety days. Said increase or addition to the guaranty fund may be on such terms of preference over the original fund, as to dividends, and in distribution of assets as shall be determined by vote of the special depositors at the meeting when such increase or addition is voted."

In thus agreeing to pay a stipulated rate of interest upon deposits one of the fundamental principles of mutual savings banking is violated, and these "special deposits" are therefore in the nature of capital stock. One of the underlying principles of the savings bank is this: Interest to depositors shall only be paid as it is earned, and only that which is earned can be paid. The laws of New York expressly forbid savings banks to promise interest in advance, and no dividend can be declared until it has been earned, and trustees voting for dividends in excess of the earnings are liable for the excess. In an opinion rendered by the Attorney-General of New York in 1887 it was held that the surplus of a savings bank could not be used in declaring dividends as this was for the protection of the

*New Hampshire also has strictly eleemosynary savings banks.

depositors, and that dividends could only be paid out of the *current earnings*, including accrued interest, less expenses.

This is not to say that such institutions are not savings banks in every sense of the word, but the strictly mutual feature is lacking in the specializing of part of the deposits and paying a higher rate of interest on these deposits. In New York State savings bank cannot receive a "special deposit," but in New Hampshire, in return for the higher interest rate, the special depositors assume all the risk of loss or depreciation, and, as in the case of stock concerns, they would be the first to suffer in the event of insolvency.

An amendment to the constitution of New York was adopted November 3, 1874, conforming all charters of savings banks or institutions for savings to a uniformity of powers, rights and liabilities, and "all charters hereafter granted for such corporations shall be made to conform to such general law and to such amendments as may be made hereto. And *no such corporation shall have any capital stock*, nor shall the trustees thereof nor any of them have any interest whatever, direct or indirect, in the profits of such corporation, and no director or trustee of any such bank or institution shall be interested in any loan or use of any money or property of such bank or institution for savings."

PEOPLE'S BANKS*

The coöperative banks of Europe, otherwise called "People's Banks," are essentially savings banks, in that they depend for their working capital upon the accumulated savings of their members. They are teaching their members to look upon money not as a mere possession to be hoarded, but as an "implement of work," and as such an implement worth hiring at a price. They reach even the poorest of the people, and where the combined savings of their membership is not sufficient to finance the operations at fall to them, they borrow upon the strength of their united credit.

The aims of these banks are first *economic*, to enable the economically weak to make themselves financially strong by a power of combination; second, *moral*, to bring the mem-

*Readers interested in this subject will find much of interest in the works of Henry Wolff, who covers every phase of coöperative banking.

bers together in a unity of interests and to develop character by making thrift and good habits the groundwork of their operations; third, *educational*, to train in business methods and in the handling of money those whose scope has been narrow and whose experiences have been few in this regard.

Coöoperative banking appeals to the man who has nothing but good character and can use money at a price and is willing to pledge his *all* that he might obtain it. It appeals to him as a saver because he knows that his savings are being used in certain ways and can see for himself that the funds are loaned in a legitimate manner.

The principal object of coöoperative banking is to make association a means whereby credit may be obtained without high cost, and by those who could obtain it, if at all, only under difficult and usurious conditions. It also provides a method by which the saver can loan the borrower to their mutual advantage, and when the savings accumulations become exhausted, to borrow collectively in order that they might lend individually.

In the establishment of these banks, the cardinal rules have been: Maximum of responsibility, minimum of risk, maximum of publicity. To secure the maximum of responsibility, unlimited liability has been accepted by the members; that is, each one pledging his all for the good of all; and, second, to secure the minimum of risk, character is made the basis of membership and good habits the prime requisite for membership. No investments are made in speculative enterprises, and the purposes for which the money is borrowed are closely inquired into and due care taken that the funds shall be applied for such purposes only. To secure the maximum of publicity the action of the bank in all matters is given the widest publicity possible in order that the work may have public inspection. The district is more or less restricted, especially in the "village banks," and since the qualifications are moral rather than financial, a high degree of excellence is obtained in the character of the members. Inasmuch as the integrity of the borrower is a prerequisite to borrowing, the losses have been exceptionally few and light. It cannot be otherwise, where the loan is watched with the closest scrutiny; for the moment the security becomes doubtful, the loan is called.

The result of these simple rules has been that the poor

have proven as good, if not better, credit risks than the rich; for once losing credit they can never regain it except by the slow process of years of good behavior.

The great pioneers in the "People's Banks" were Raiffeisen and Schulze-Delitzsch. They fully appreciated that any system that would succeed must descend to the level of its beneficiaries and they have admirably adapted the co-operative idea of banking. "They knew," says Mary Wilcox Brown, in the "Development of Thrift," "that co-operation is something more than merely working *together*; that real co-operation means a *willingness* to subordinate personal advantage to the general good, and that if co-operation is to become an economic force it must have some higher ideal than the mere economic gain—it must be inspired by an ethical motive."

The first Raiffeisen loan bank was founded in 1849 in a little German village, and not until five years later was a second founded. In 1862 a third venture was made, but by 1910 the number of these banks in Europe had grown to be over 40,000, with 3,000,000 members and a billion dollars of resources. In 1893, the year of the terrible drought, they proved their great usefulness by the way in which they came to the assistance of the distressed husbandmen, to whom they were able to render more practical help than was the State itself. Up to 1896 they could personally boast that "neither member nor creditor has ever lost a penny through us."

In the formation of such banks the first consideration is whether each member is reliable. The members as a body, as well as individually, are interested in protecting the moral standard of their bank, because they know that each is pledged to share the burden of loss thrown by a defaulting member on the bank. To assure a thorough knowledge of the moral standing of every member, the operations of the bank must be confined to a limited district, and each application for membership must be carefully examined. No distinction is recognized between the different members, but it has been found advisable to have a few rich men in each bank, and as they have to bear the brunt of the liability, they have often been given a principal part in the administration. A rich man may help a rural bank by contributing a small gift toward the expense of starting and by making deposits so as to attract other savers; but his chief

usefulness can lie in sharing the common liability and by taking part in the administration, provided no spirit of patronage be introduced and the "cardinal principle" of the bank, *equality*, be maintained. The council of such a bank is composed of volunteer workers, the only paid officer being the cashier, to ensure whose honest discharge of his duties a frequent and careful auditing of the accounts is required. In the formation of these banks it was fully realized that "the poor man has no credit because he is destitute, and he is destitute because he has no credit," therefore the only pledge he can give of his reliability is his labor. As they were intended to reach those who had neither credit nor cash, they issued no shares and had no entrance fee.

Now, owing to legislative enactment, it is required that such associations issue shares, but the amount of each share is so small that it does not debar anyone from membership. It was, also, the purpose of the founder, that there should be no dividends, because the declaring of dividends might tempt shareholders to charge a high interest for the use of their money and so confute the object of the establishment of the banks. The banks are now required to declare dividends, but, instead of enriching the shareholders, the dividends are placed in a reserve fund, and so strengthen the banks and lessen the liability of the members. If the reserve fund should become unnecessarily large, a part of it may be used for some public service. It can be seen that there is little temptation to charge borrowers a high rate of interest, the rate having to be determined only by the amount that the bank has to pay for the use of money borrowed by it. The difference need be great enough only to meet the cost of administration and of accumulating a small reserve fund. One advantage of these mutual credit banks must not be lost sight of, *i. e.*, that they are most valuable depositories for the savings of their members.

From what has been said, it would seem that borrowing is made easy, but such is not the case. The principle on which all loans is made is that the money be used for some productive purpose, not for "stopping a hole." The borrower must clearly state therefore what is the use that he intends to make of his loan, and he is obliged to use the money in the way he has indicated. He gives a note of hand, generally indorsed by one or more securities, and he is required to pay interest and principal promptly. In rural

districts it is found that a longer time must be allowed for the repayment of a loan than in cities. Fifteen per cent. of the loans of the Raiffeisen banks are granted for one year or less, forty-three per cent. for from one to five years, thirty-four per cent. for from five to ten years, and eight per cent. for a longer period of time. If the loan were made to repair some failure through loss by accident, such as damage to buildings or to crops, repayment may be expected in two years; if to purchase live stock, in three years; and if to acquire land, or to build, in eight years.

If the council feel at any time that the loan is not being well used, the money may be called in; but if, on the contrary, it is being productively used, the time for which it was granted may be extended. No one feels a hesitancy in speaking of the mismanagement of a member who has it in his power to bring discredit on his bank or loss to it, so there is no difficulty in getting persons to check the use the individual makes of his loan.

These banks have had no difficulty in getting sufficient money to meet the demands made on them. What is needed, in excess of the savings or other deposits, is raised by borrowing from non-members. Their credit is so good that they find it easy to borrow either from individuals or from public banks. In 1866 and 1870, the years of the Austro-Prussian wars, deposits were withdrawn from other banks to be "pressed on the Raiffeisen banks for safe keeping."

The increasing number of banks led to the organization of a central bank, which derives its strength from the local association, and encourages the formation of new banks. Coöperative insurance, and coöperative dairies, coöperative hop and vine growing, and coöperative buying and selling of farm products, have been encouraged by the banks, which are especially ready to furnish money for the use of any such enterprises.*

COÖPERATIVE CREDIT

Coöperative credit cannot thrive where the people who are to be its members are not aware that they need such an institution; there must first be willing hands to establish it and then willing hands to patronize it, and willing hands to support it. Its main support must be from the inside and

*Development of Thrift, pp. 104-112.

not from the outside. There should be no duress or undue persuasion—no beating of the big drum, as it were—for membership should be a privilege to be asked for, and not a gift to be thrust upon unwilling people.

The most distinguished person should be made welcome; he may be of use; but the humblest should be as welcome, and both should be on the same footing. The bank, as Wolff remarks, cannot have wealthy men governing while others obey; rich men limiting their liability, while the poor man risks his all; rich men permitted to withdraw their liability at pleasure, while the poor man remains still obligated. Such distinctions are not to be tolerated under either system. Whether unlimited liability, or share liability, the chief power must be vested in the members collectively. Everyone of them contributes his own share in money or else in liability; the holdings may differ, but on that account no difference should be allowed, because coöperative banking is a union not of capital but of persons.

The wealthy member's unlimited liability may mean more in money than the poor man's, but to the poor man his own liability means every bit as much; he will be found as eager as the rich man to protect it.

The administration is democratic. First, there is a committee of management, to whom is entrusted the election of new members, the selection of salaried or non-salaried officers, fixing the rate of loans, the rate of interest charged on loans, the rate of interest paid on deposits, auditing accounts of officers, and general supervision of the bank. Next comes the Council of Inspection, who are not usually paid a fee, and whose duty it is to meet frequently and review the transactions of the society, inquire into the loans and securities, the position of borrowers, and in every respect to see that the rules of the society have been carried out. There is next the Committee which carries out the administrative work; in this respect its duties are similar to the cashier of a bank; it is an executive head. And lastly, we have the General Meeting; the supreme authority of the society is vested in the General Meeting of its members, in which everyone has a single vote.

CHAPTER VII

SAVINGS BANKS IN THE UNITED STATES

In a discussion of savings banks in the United States, reference is quite altogether to the mutual savings banks, for reasons hereinbefore mentioned; namely, that most of the stock savings banks are merely banks of discount under another name, and are not basically savings institutions.

Of the 620 mutual savings banks reporting to the Comptroller of the Currency as of June 30, 1926, 393 or nearly two-thirds, were in the New England States. Two hundred and two were in the Eastern States. Only 20 were in the Middle Western States and 5 in the Pacific States.

The home of the mutual savings bank is in the East, and may even be said to be in the Eastern states; for west of Buffalo and south of Baltimore, we find scarcely any banks of the mutual character. Out of 620 savings banks of the mutual type found in the United States, 568 are found in New England, New York and New Jersey; and over one-half, or 344 are found in the two States of New York and Massachusetts. Maine, Vermont, Connecticut and New Hampshire have 185, the total of which accounts for all but 91 of the mutual savings banks in this country.

The dearth of savings banks in Pennsylvania has already been commented upon; but it would seem strange that in a state of such character, where the mutual savings bank had its first test, and where in individual instances it has been extremely popular and successful, the failure of such an institution to become widespread is unaccountable; but as has been remarked, Pennsylvania is the home of the building and loan association which seems, in a measure at least, to fulfill the same purpose. From a pamphlet issued by the Dollar Savings Bank of Pittsburgh in 1905, the striking sentence is gathered, that "to-day at the end of a half a century the Dollar Savings Bank stands as the *only* institution of its kind in Western Pennsylvania."

As we go South and West the banks take on a more commercial aspect, and the saving bank as we know it in the

MUTUAL SAVINGS BANKS IN UNITED STATES

States	No. of banks	Depositors	Deposits	Avge. due each deposi- tor
Maine	37	231,457	\$110,228,000	\$476.24
New Hampshire	153	323,983	184,835,000	570.51
Vermont	19	127,943	88,484,000	691.59
Massachusetts	196	2,878,058	1,701,852,000	591.32
Rhode Island	12	215,462	144,526,000	670.77
Connecticut	76	846,608	533,533,000	630.20
Total New England States	393	4,623,511	2,763,458,000	597.70
New York	148	4,635,134	3,738,426,000	806.54
New Jersey	27	441,074	229,802,000	521.01
Pennsylvania	9	569,562	375,837,000	659.87
Delaware	2	46,426	22,590,000	486.58
Maryland	16	312,486	158,292,000	506.56
Total Eastern States	202	6,004,682	4,524,947,000	753.57
Ohio	3	104,108	82,310,000	790.62
Indiana	5	33,374	20,438,000	612.39
Wisconsin	7	17,205	6,393,000	371.58
Minnesota	5	130,708	61,027,000	466.90
Total Middle Western States	20	285,395	170,168,000	596.25
Washington	4	69,958	42,072,000	601.39
California	1	70,340	76,859,000	1,092.68
Total Pacific States	5	140,298	118,931,000	847.70
Total United States	620	11,053,886	7,577,504,000	685.51

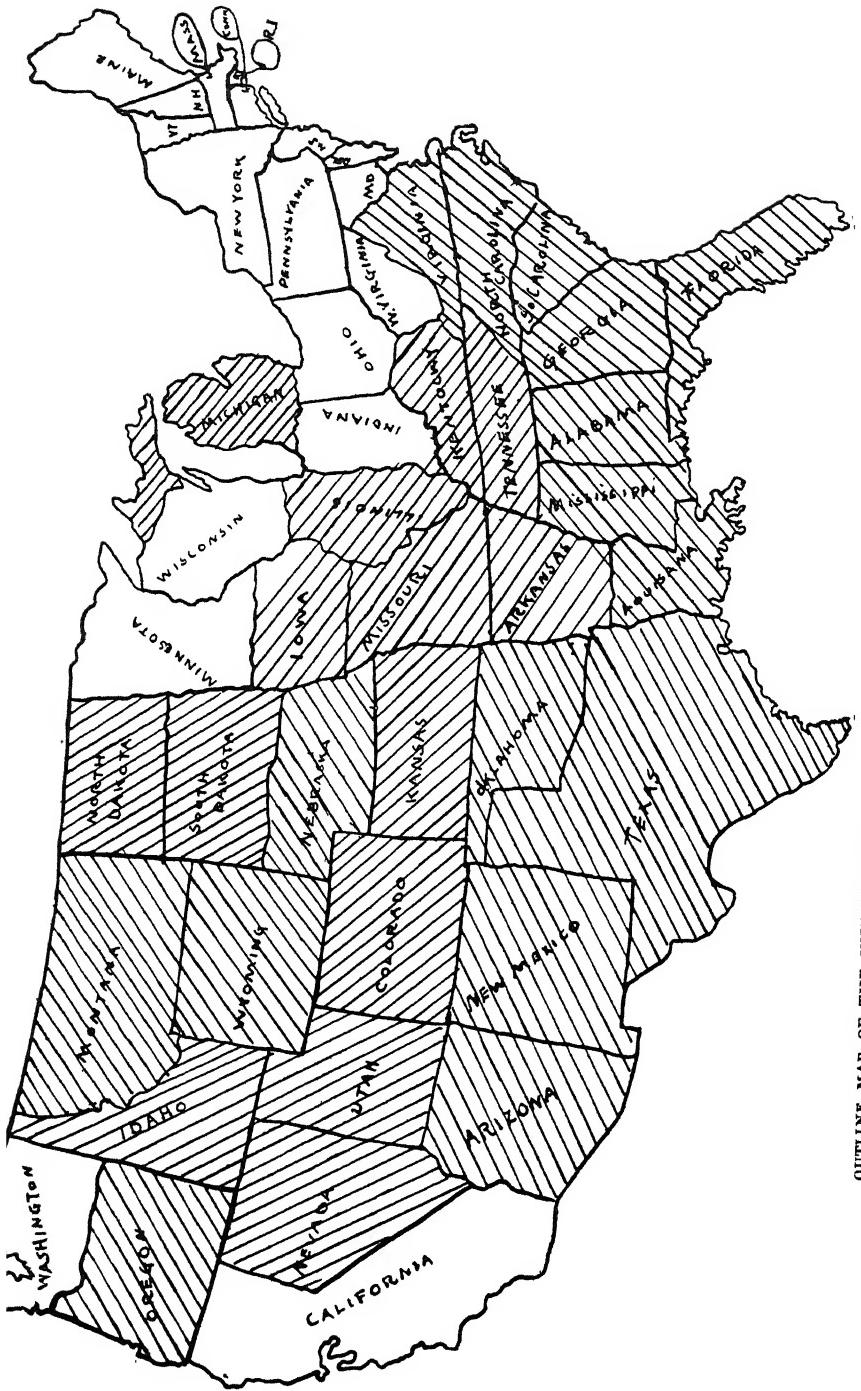
¹Includes savings of 12 trust companies and 11 guaranty savings banks in conformity with figures received from State bank commissioner.

²Includes business of branches.

³Estimated.

East is a rarity, and the word "savings" in its title is a misnomer. This is particularly true of Iowa, where we find practically all state banks using this word, and yet very few of them are other than banks of discount. The reason for the large number may be in the economic conditions of that state, and also the fact that banks may organize with as low as \$10,000 in capital, making it possible to establish a bank in even the smallest place.

In Illinois, for instance, we find no distinctively savings banks, and in a city like Chicago, where if the same success

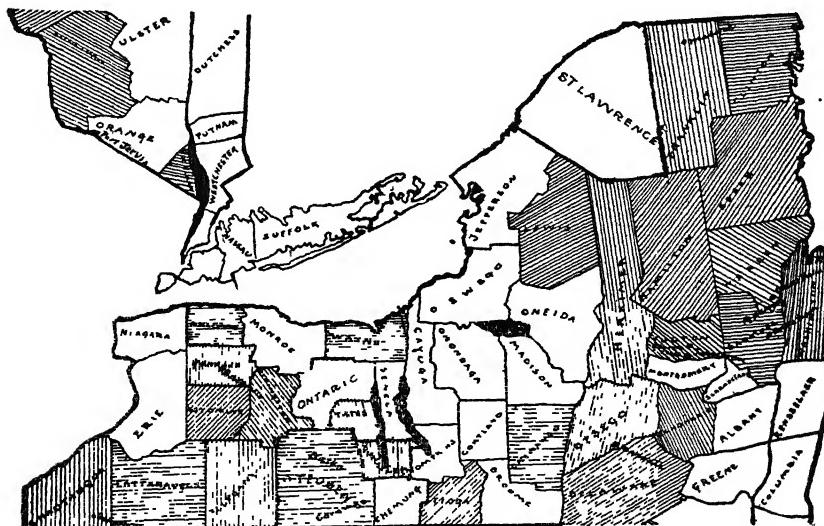


OUTLINE MAP OF THE UNITED STATES SHOWING THE LOCATION OF THE MUTUAL SAVINGS BANKS.
THERE ARE NO TRUSTEE BANKS IN THE SHADDED PORTIONS.

had attended the savings banks as it has in New York, upwards of a billion dollars would be on deposit, we find no strictly savings institution other than banks of discount and trust companies operating savings departments.

MUTUAL BANKS IN THE SOUTH AND WEST

The reasons for the absence of mutual savings banks in the West and South lie, no doubt, as Hamilton suggests, in the fact that these sections were not settled from religious, but commercial motives; and the "spirit of New England" being lacking, the savings bank which requires a peculiar spirit of philanthropy, and age, as well, has not become a factor in the development of the country. In fact, the eleemosynary institution, such as the college, the hospital or the savings bank, the former requiring endowments of money to become successful, and the latter the endowment of gratuitous management to become possible, is last to follow in the economic development of a community. Another reason may be in the preponderance of agriculture among the employments, which does not, until the country becomes highly prosperous, afford much in the way of idle funds which would go into the savings banks.



OUTLINE MAP OF NEW YORK STATE. THERE ARE NO SAVINGS BANKS IN THE SHADED PORTIONS, WHICH COVER 28 COUNTIES. THIS WELL ILLUSTRATES THE POINT THAT THE MUTUAL SAVINGS BANK IS NOT SPREADING EVEN IN A STATE WHERE IT HAS BEEN A PRONOUNCED SUCCESS FOR OVER A CENTURY.

The dearth of savings banks in the South is, no doubt, due to the prostration following the Civil War, which left the country drained of its resources, the general ignorance of banking functions, and the improvidence of the Negro, who "in savagery first and slavery later, was not in position to develop an appreciation of property." To these might be added, in the case of the latter, the disastrous history of the Freedmen's Savings and Trust Company, which, under the apparent protection of the Government, was intended to help and bless the Negro in his new-found freedom, but through mismanagement and gross abuse of trust turned a blessing into a curse, and it was years before the Negro had confidence enough in banks to entrust his money to even the best of them. Other disastrous failures have attended banking by and for the Negroes, the last catastrophe in this line being the collapse of the Savings Bank of the Grand Fountain, United Order of True Reformers, which was allied with a mutual benefit organization, a hotel, printing plant, chain of stores, real estate speculations and a host of side issues which dragged it down. It failed in the summer of 1911. The trustee bank would be a most excellent medium in assisting the black man in his climb upward; but suitable persons must undertake the work for "sheer love of the game," and until the thrifty black man arrives at this desirable point the work must be done, if at all, by friends of another color, and here the question of race prejudice enters to negative such a possibility. There are, however, over forty banks in the South, savings banks in name, but generally savings *and* commercial banks, which are owned and operated solely by Negroes, and some of them are large and well-managed concerns.

Savings banks go where they are encouraged—this cannot be gainsaid. They must first be made possible by economic conditions, and then by legislative action. Taxation must not become a burden. A good institution needs stimulation, protection, supervision and help; while a bad one is bound to thrive in spite of restrictions. In every state—in fact in every city—there is a need for a well managed, well protected savings bank, which the lawmakers should recognize and legislate accordingly.

In many sections a mutual savings bank would be utterly inadvisable. Conditions which must precede such an in-

stitution are lacking and the same object must be gained by other methods. New England with its sturdy Puritan type, New York with its Dutch, Connecticut with the Yankee, naturally have in them the seeds of the mutual savings bank. The habits of the people, their environment and training make the introduction of such an institution an easy matter, for while physical conditions in many places may be hard, yet the mere ability to overcome such obstacles as barren soil, rocks and severe climate lays the ground work for the mutual savings bank.

West and South, we must have the "commercial motive" to foster any such institution and the stock savings bank would logically seem to be in place. A study of the investment laws of the various States is an education in itself and affords an inviting field for the student of savings banking, in which he may discover the traits and tendencies of legislators as they have from time to time endeavored to grapple with this problem.

SAVINGS BANK INVESTMENTS

The investments of the savings banks of this country may roughly be classified into:—First, Government bonds; Second, State bonds (usually with a provision that default shall not have occurred within a certain time); Third, mortgage loans (which are quite universal); Fourth, city, county, town and school district bonds (particularly of the State in which the bank is located, and frequently in other States with stipulations as to the population and the debt); Fifth, railroad bonds; Sixth, street railway bonds including equipment trust bonds; Seventh, corporation bonds; Eighth, stocks; Ninth, miscellaneous investments.

All States legalize mortgage loans, Government and State bonds, and municipal securities, with collateral loans upon such security. Most States legalize railroad bonds. In New England, bank stock is a common investment. Personal loans (three-name paper) are quite general, while commercial paper is probably the principal asset in the South and West, the nature of the banks making this the most likely form of investment. New York and Minnesota seem to be the only States that do not provide for loans on personal credit of some sort.

One feature is common and that is what may be termed "local sentiment"—a desire to benefit the locality in which

the bank operates, which is a perfectly natural thing to do, and commendable; and a savings bank drawing its patronage from a certain community should, if possible, cater to the wants of the neighborhood in making mortgage loans and other investments. Thus New York banks may only purchase municipal securities within the State, except in specific instances. In Massachusetts the restrictions for railroad bonds outside of the State, and in a great many instances, the restrictions for municipal securities in other States are made more rigid than for those in the home State. In New Hampshire the banks may loan 70 per cent. of the appraised value on property in the State, while out of the State the limit is 50 per cent of the value, showing an inclination to favor local loans, as also does the restriction that only 40 per cent. of the deposits may be loaned outside of the State. Where corporation bonds and street railway bonds are legalized they are usually restricted to corporations within the State. This desire to foster and encourage local industry is universal and commendable. On the other hand there are a few States, notably Pennsylvania and Maryland, where the law does not closely restrict the investments. As a matter of fact, in the latter State, there has been no supervision or even a savings bank act until 1910. And yet, be it said to the lasting credit of the banks in these States, they are doubtless as strong and as ably managed as any of their kind in States operating rigid investment laws. Being allowed to invest according to their own judgment, these bankers have built up most excellent institutions, and having a wide latitude in the matter of investments, have made a scientific study of bonds and stocks and have become experts in this line,—an experience which cannot fail to make a broad-minded and careful banker.

THE STATE'S PART IN FOSTERING BANKING INSTITUTIONS

In so far as banks and banking is concerned, the State is responsible for two things: Laws and supervision. And before there can be good supervision there must be good laws to enforce. It is a standing wonder that, under the loose laws that prevail in many States, and the looser supervision, banking in those Commonwealths has been as successful and attended with as few disasters as it has. In many of the States, particularly in the South, the laws are

utterly inadequate, and the appropriations for bank supervision so meagre that exhaustive examinations are impossible, even if the officials of State were so minded. And the States that have made practically no provision for the savings of the people, either by encouraging savings banks or providing for proper safeguards for savings accounts in banks of discount and trust companies, are in a large measure responsible for the advent of the Postal Savings System, which many bankers at one time so loudly deplored. As a preventative measure good laws on behalf of the savings account would have helped the very banks which have opposed the introduction of safeguards on the theory of *laissez faire*.

Good laws come when the demand manifests itself; and the introduction of such legislation merely awaits the endorsement and advocacy on the part of the banking interests. Good supervision is merely a matter of money and good men. The former can rightfully be made a charge upon the banks themselves, and the latter is merely a matter of eliminating politics and careful selection under civil service rules. New York has no difficulty in obtaining the services of some of the brightest men in the banking profession, simply because the remuneration is ample and the test educational and not political.

Two examiners for over 400 banks, as obtained some years ago in Georgia, simply because the constitution prohibited appropriations sufficient to do the work properly, is a travesty on bank examination. In such a case the examiner has more examinations to make than the average preacher, pastoral calls; and it is plainly to be seen that a bank cannot be examined in the time usually allotted to such visitations on the part of the clergy.

CHAPTER VIII

THE ORGANIZATION OF A SAVINGS BANK

Before describing the process of organizing a mutual savings bank, it will be of interest to become reminiscent for a few moments and note the contrast between the organization and operation of savings banks a century ago and now.

Having obtained its charter,* the board of incorporation of the Bank for Savings met April 5, 1819, and organized. On May 26, 1819, the board elected Mr. Daniel E. Tyler clerk, he to serve *gratuitously*; but in August of the same year he was voted \$125 for his services. He was for some time the only salaried officer, the tellers, porter, etc., giving their services without pay. The bank was open from 6 to 9 Saturday evenings, and Mondays from 11 to 2. As the business increased, the hours were extended until the bank was open daily from 10 to 2, and two days a week from 4 to 6.

The Poughkeepsie (N. Y.) Savings Bank owes its origin to the fact that in 1829 a colored woman got a position in that city, and having a few dollars saved up and on deposit in the Bank for Savings in New York, and having more to deposit, sent it to New York with her employer. He came back imbued with the savings bank idea and organized the bank. Its first day's business consisted of two deposits—\$40 and \$7.

The first salaries paid in the Bowery Savings Bank were \$300 per annum to two clerks, and \$50 to the porter. In 1834 it was resolved that "as papers had begun to accumulate, the Secretary be directed to obtain two trunks for the use of the bank." These trunks are still in existence, and are exhibited with much pride. (See opposite page 16).

In October of the same year, it was decided to keep the bank open every Thursday from 5 to 8 o'clock, to receive deposits from *females*, thus early realizing the fact that it is the women who do a large part of the savings bank busi-

*See Historical Chapter.

ness. This convenience was shortly afterward extended to men, and many of the New York and Brooklyn banks still open one evening a week—usually Monday.

Some of the trustees having been indifferent to the interests of the bank, in November of the same year a fine of twelve and a half cents was imposed upon all who should absent themselves from the meetings or fail to fulfill the duties of attending committee. This remained operative until 1841. In 1845 it was resolved to build an addition to the banking house, not to exceed \$2,000—less than the cost of a good vault-door these days. In 1850 the president was empowered to employ a clerk at \$1.50 per night to fill the place of the secretary on meeting nights, and the secretary was removed to the desk intended to be filled by the attending trustees, the trustees to have supervision over the clerks instead of acting as clerks. In 1852 the building was further enlarged, and living quarters provided for the secretary therein.

The early management of the Bowery cannot but be characterized as unselfish in the highest degree, for “after nearly seventeen years of personal service to the details of the bank’s business, and having accumulated a surplus of nearly seven per cent. on the par value of assets above the amount due depositors, they voted to promote themselves from clerks to managers.” In 1858, twenty-four years after incorporation, the president was put under salary of \$3,000, the first record of any trustee receiving compensation for his services.*

The “Institution for the Savings of Merchants’ Clerks,” (now Union Square Savings Bank), was located in “Clinton Hall,” Beekman, corner of Nassau St., and from 1848 to 1854 kept open three afternoons a week. The Williamsburgh Savings Bank of Brooklyn, now “the largest savings bank on Long Island,” opened for business in the basement of a church and opened for business three days each week for two hours, and for the first seven months the trustees conducted the affairs gratuitously, but the bank was able from profits to repay the expenses of opening, rent, stationery, etc., within 18 months. It is said that many of the trustees of this bank were officers in the church, and in this it followed closely the custom among

*History of the Bowery Savings Bank.

the early English banks in making the savings bank a church affair. In the case of the Erie County Savings Bank of Buffalo the trustees guaranteed the expenses, which, owing to the great success of the bank, were not long a charge upon them.

In the Philadelphia Savings Fund Society each of the incorporators contributed \$10 toward the expense fund, and the managers took turns in serving as clerks.

In contrast with these modest beginnings of great institutions, present-day methods seem extravagant, to say the least; but times have changed, and "a bank in a cellar" would no longer be possible. If the savings bank philanthropist of other days could arise from his grave and see a two-year-old bank housed in a palace of marble and bronze, that cost the trustees \$100,000; the trunk of the Bowery turned into a burglar-proof vault costing \$10,000; the ten-dollar contribution of the Philadelphia men expanded to five thousand, and a salary list of \$3,500, instead of \$650, he would take notice that the world has moved forward somewhat in the past fifty years, and the banking house which excited wonder then would hardly be noticed by the passing throng today. But, however this may be, the early successes were truly remarkable. The Williamsburgh bank had a million dollars on deposit in seven years, the Dry Dock in ten, the Bowery, two millions in twelve years, and the Bank for Savings a million in five.

There is even in this day a marked contrast between banking in the country and banking in the city. In the country the men are all personally well known and a counter, a desk, a big book or two and a few chairs may really be a bank, and a good one, however much its looks may belie its nature; but in the city it must *look* like a bank as well as claim to be one. The days of cheap *city* banks are over. The people expect marble and bronze and mahogany, and to begin as one bank did some years ago, with shabby, second-hand furniture, oil cloth on the floor and a make-believe safe, would be suicide. Going into such a bank years ago the author commented upon the *size* of their safe. The clerk opened the doors and they led into a brick wall!*

The conception of a bank is usually the work of one man, and naturally one whose interests, present or future,

*This bank was looted by the clerk mentioned and closed its doors after seven years of operation.

will be enhanced by such an institution. The motives which prompt him to undertake this work may be many, or it may be a single idea. In the case of a *commercial* bank the added prestige, a salaried position, the enlarged borrowing capacity, the profits arising from the increase in the stock value,—any or all would be sufficient to explain why a man would give his time and attention to the organization of such a bank; but in the savings bank, especially of the mutual type, many of these controlling motives will necessarily be wanting.

NO IMMEDIATE FINANCIAL GAIN

But whatever the motive, the basis of the founder's hopes cannot be immediate financial gain, or borrowing privileges, for as an officer he will be barred from using the bank's funds in almost every State that has a good savings bank law. In the State of Minnesota there is a statute forbidding a trustee borrowing directly or indirectly, or becoming surety or endorser for *any loans*, and besides, he must file a surety bond in the sum of \$5,000 as evidence of good faith, and violation of the borrowing prohibition will bar him from holding office in *any* savings bank. In Connecticut, they are not permitted to borrow and are liable for all losses resulting from investments made in violation of the law. In Maine, no loans may be made to trustees directly or indirectly, or to any firm or corporation of which they may be members. In Vermont, they are not permitted to borrow directly or otherwise, or to sign any note or security upon which any of the deposits may be loaned. In all these States, fees, commissions, or any other emolument for influencing loans, investments, etc., are prohibited. In New Hampshire they may not borrow directly or indirectly without the consent of all the other trustees in writing, and are liable for losses arising from illegal investments, but may receive "reasonable pay" for their services. Fees, or commissions are also prohibited and a fine of \$10,000 or ten years' imprisonment is the penalty for such practices. In California borrowing by officers or directors is forbidden, as is also endorsing, becoming surety, or obligor; and violation voids the office. In Massachusetts, they are likewise prohibited from borrowing, and the law goes to the extent that if a mortgage is made on property owned by a

trustee the office becomes void after sixty days, if the loan is not discharged. Any person in Massachusetts who circulates printed matter containing names of trustees who have not qualified is guilty of a misdemeanor and subject to a fine of \$50. In New Jersey loans to trustees are prohibited, as well as becoming surety for loans, but trustees in that State may receive fees for attendance at meetings. In Indiana a trustee may not borrow for himself, or any corporation or firm in which he may be interested, or become surety for any loans. Violation of this provision voids the office. In New York the law provides that no trustee of any such corporation shall have any interest, direct or indirect, in the gains or profits thereof, nor as such directly or indirectly, receive any pay or emolument for his services, except as therein provided; and no trustee or officer of any such corporation shall directly or indirectly, for himself, or as an agent or partner of others, borrow any of its funds or deposits . . . nor shall any trustee or officer of any such corporation become an indorser or surety, or in any manner become obligor, for moneys loaned by or borrowed of such corporations.

Therefore, being barred from borrowing, and there being no stock (except in stock savings banks) to increase in value, and receiving no fees save in a very few States, for his attendance at meetings, and these nominal, and the salaried office being desirable only after the bank is firmly established, we must look a little deeper for the underlying motive that would prompt a good man to undertake this work.

BANKING PAST AND PRESENT

Fifty years ago, when life was less strenuous than at present, and men had time to live and do things benevolent, we may find, as already indicated, savings banks that were established through pure philanthropy. Many of the older banks will point with pride to the time when their trustees were the attending officers, usually one or two evenings a week, giving their services gratis. When business warranted, a clerk was employed, who was general utility man, and did all the work, oftentimes in connection with some other business, and between the two managed to eke out a living. One such bank officer to-day is proud to tell of the time when he slept under the counter and made the fire!

In these days of competition, to start a bank after the old time notions, and in the old time way, would invite disaster, especially in the larger cities. The people now-a-days demand fine fixtures and well dressed men in order to convince them that this is really a bank and worthy of their regard. The difficulty attending the establishment of a modern savings bank will readily be seen when it is remembered that since 1890 there have been but 29 savings banks organized in the State of New York, and all but eight are in Greater New York. One bank opened in a very modest fashion, and in its first fifteen months, with teeming life on every side, showed deposits of but \$62,000, while another with more pretentious quarters had the creditable sum of over half a million as the result of its first year's operation.

A LAUDABLE AMBITION

Without a proper financial motive, it is doubtful if a man capable of organizing a savings bank would give it the time necessary, which is a great deal. He must spend many hours enlisting the support of his associates. There will be incidental expenses to meet. It is truly a great undertaking, ethically, if not financially. The most likely individual to assume such a task is an attorney. A bank attorneyship adds prestige to any lawyer and it is a profitable connection. My observation has been that the modern savings bank is conceived by and brought into being by the legal profession. The opportunity for such institutions has lain in the great popularity of savings banks during recent years and the great demand for mortgage money, making the investment field profitable, as the depositary field is fruitful.

The principal part of a savings bank's business, so far as the investments are concerned, is in the line of mortgage loans. And loans of this character are always accompanied by searches, legal papers, etc., and a very profitable line of business may be found in this feature. Then, too, there is incidental business, such as cases of administration of estates, litigation attending the conduct of its business, fees of various sorts, notaries' acknowledgments, and probably, as desirable as any, the clientele that follows honest and honorable dealing. It is stated on good authority that the fees of the counsel of a four-million-dollar bank amount

to over \$6,000 per year. All this is strictly proper, perfectly legitimate and desirable, withal, and if this be true, we have found a good motive, aside from the prestige official connection with a financial institution will carry.

ENLISTING SUPPORT

Having made up his mind to organize a bank, he will need moral and financial support. Moral support to make it appeal to the people, and financial support to provide the wherewithal until it becomes self-sustaining. Inasmuch as this institution is of the mutual or trustee type, with no stock, the only funds with which it may do business are those coming over the counter as deposits, and in competition with older banks, it will be obliged to pay interest to depositors from the beginning. It will have running expenses, such as salaries, rent, light, stationery, etc., and will of necessity have to be "carried" until it can walk alone.

THE MEN

The savings bank law of New York being recognized as a model, we shall organize after this law, side-stepping to note differences as occasion may demand. The first thing needful to obtain will be men—good men with clean records and widely known, who will trade empty honor for the use of that good name and record, and a few hundreds of their surplus money for a few years. This is not the easiest thing imaginable. Men may be found by the score in every community who would be glad to accept a savings bank trusteeship, but to get good men who will go in from the beginning and take some risk, not a little responsibility, and spend considerable time and money is not as easy as it may appear. It is a standing wonder how some men who have lent their influence to new savings banks in New York, could ever have been persuaded to embark. They cannot possibly get anything out of it for themselves, save the honor, and this may be long in coming and delusive after it arrives.

TRUSTEESHIP DESIRABLE

These positions are sought after when the institution becomes of goodly size, for it stamps a man as a leading citizen, and not every man can qualify. A case in point was

nat of a trustee of a new savings bank, who, needing the money he had advanced to the bank for expenses and toward building company which built the banking house, found o difficulty in transferring his interest for cash to one who oveted such an honor. In New York he must have had clean financial record, for "no person against whom a udgment for any sum of money shall have been recovered r shall hereafter be recovered and remain unsatisfied of record, or unsecured upon appeal, for a period of more than tree months, or who hereafter takes the benefit of any law f bankruptcy or insolvency, or who makes a general as- gnment for the benefit of his creditors, shall be a trustee f any savings bank, and the office of such trustee is hereby vacated."

ORGANIZING A SAVINGS BANK

In organizing a savings bank in New York State, it is required that not less than nine nor more than thirty persons shall form the corporation, all of whom are citizens of the United States, four-fifths of them residents of New York State, and two-thirds of them residents of the county where the bank is to operate. They shall subscribe to an organization certificate which states:

1. The name of the proposed bank.
2. The place of business.
3. The name, occupation, residence and post office address of each incorporator.
4. The sums each incorporator will contribute in cash to the initial guaranty and expense fund, respectively.
5. A declaration that each incorporator will accept the responsibilities and faithfully discharge the duties of trustee and is free from all disqualifications in the law.

At the same time they shall sign a notice of intent to organize, giving the name of the bank, their own names and the location of the proposed bank. The original of this notice must be filed in the office of the Superintendent of Banks within sixty days of its execution and a copy published at least once a week for four successive weeks in a newspaper designated by the superintendent. At least fifteen days before the organization certificate is submitted to the superintendent, a copy of such notice must be served upon each savings bank organized and doing business in the

village, borough or city specified as the location of the bank, by mailing such copy to said savings banks.

After twenty-eight days from the first date of publication of notice of intent to organize and within ten days after the last publication, the organization certificate, in duplicate, shall be submitted for examination to the superintendent, with affidavits of publication and service of notice of intent to organize.

The corporate existence of the bank begins when the superintendent approves the organization certificate. It may transact such business as is incidental to the organization but none other. Before it may transact a general banking business the trustees must deposit the guaranty fund as hereinafter mentioned, also the expense fund, and shall inform the superintendent of the name, residence and post office address of each officer. The organization is complete when the superintendent issues the authorization certificate.

Before the latter certificate will be issued, the trustees are required to create a guaranty fund, to act as a protection to depositors, such fund to consist of contributions of the trustees and additions from earnings. This fund shall be at least five thousand dollars, and the superintendent may also require additional guaranty or agreement to make such further contributions as the case may require, to fully protect the depositors. This guaranty fund is not a liability of the bank.

The incorporators shall also provide an expense fund of at least five thousand dollars, to provide for the expenses of the bank until the earnings are sufficient to provide for expenses, and shall furnish such further agreement to meet the expenses as the superintendent may require. This also is not a liability of the bank.

These advances may be returned to the incorporators from earnings whenever such payments will not reduce the guaranty fund below five per cent. of the deposits.

IS THE BANK NEEDED?

Before a charter is granted the Superintendent of Banks usually investigates the following points: 1. Whether the greater convenience of access to a savings bank will be afforded to any considerable number of depositors by opening a savings bank in the place designated. (This is usually

required in all States.) 2. Whether the density of population in the designated neighborhood and the surrounding country affords a reasonable promise of adequate support to the enterprise. (The density is not sufficient, as the density may exist, yet the character of the people be such as to discount the success of the bank at the start. The *class* of people to be served will have as much to do with the success as the number. A savings bank requires a clientele of wage earners, and thrives best in those sections such as the "east side" where the wage earners live. The location is vital.) 3. Whether the responsibility, character and general fitness for the discharge of the duties appertaining to such a trust, of the persons named in the certificate, are such as to command the confidence of the community in which the savings bank is to be located.

At this time the motive will be investigated, and the character and standing of the men looked into, the territory surveyed, competition considered, etc. During this time, opposition, if any, will develop. It is the custom in New York to give a public hearing, notifying all banks in the territory. But usually, if conditions warrant and the men are acting in good faith and are responsible, the charter is readily granted. Practically all the States providing for savings banks require investigation before granting charters. In Indiana the judge of the court of common pleas who took the acknowledgment must make the investigation as to the motives and character, and if satisfied, forward his decision to the State auditor. In New York, the superintendent is supreme. There is no appeal from his decision.

COMPLETING THE WORK

Having received the momentous piece of paper, a meeting would naturally be in order for organization, appointment of committees, adoption of the by-laws, etc. One bank held an organization banquet, and after the good things had been served, the slate was presented, by-laws read for information and the organization completed. All this will naturally fall upon the organizer.

FINISHING TOUCHES

The real work has just begun, and the heaviest hill is ahead. Quarters will have to be secured, employees hired,

counters, safes, book-keeping outfit ordered, all of which will necessitate much time and labor. An assessment will be levied against each trustee; this will form the expense fund, from which all expenses will come until the bank becomes a going institution, when these advances will be returned. How long this will be depends upon the lavishness of the initial outfit, the rent, the salaries, etc., together with the earning capacity of the bank. One bank in Greater New York, with a board of thirteen men, started off with a \$2,000* mahogany counter, an \$8,000* vault, an item of \$1,500* rent, salaries amounting to \$2,500*, with interest to depositors at 4 per cent. Another, in the greater city also, was fortunate enough to have rent free for the first year, with unusual success in deposits, high rates of interest for its money, and at the end of the second year it was paying all expenses, save an allowance for rent,—an unusual and noteworthy record.

ALMOST A BANK

But even yet, the venture may fall through. One bank went all through the organization and secured an option on the quarters desired, when the summer season came on, and with it a disagreement as to fittings. One faction wanted marble and bronze, the other a more modest outfit. Vacations and election took time and attention away from the project and the proposed bank, in a splendid location, in a growing section of thrifty people, with every promise of success, surrendered its charter and went out of existence.

OPENING DAY

Having secured quarters that are roomy and attractive, contracts are let for counters and signs and desks and safes and books and supplies of all kinds. The details will be multitudinous and it will fall upon an interested few to look closely after affairs, in order that everything may be in order. At length the banking room is complete and a day can be set for formal opening, for it is usual to invite the public to inspect the new quarters, allowing them the freedom of the place.

*Pre-war figures.

As the opening day draws near, there will be increased interest. Book No. 1 will be in wide demand, for sentimental reasons. Accounts will be promised and many will be anxious to be among the first to deposit, insisting upon low numbers.

The supplies arrive, the charwomen scrub and clean and dust. Notices are sent out, "write ups" prepared for the papers, flowers come in with complimentary and "good luck" inscriptions. The time arrives, the doors are opened, the crowd comes in, and book No. 1 goes out, and the bank is in operation.

CHAPTER IX

THE MANAGEMENT OF A SAVINGS BANK

Underlying every business and profession is a system of ethics; that is to say, a set of rules or principles, written and unwritten, which govern its conduct and regulate its activities. Thus we have medical *ethics* and legal *ethics*, meaning "the science of right conduct or moral obligations" in those professions. When we say that a doctor, in advertising for patients, other than by card; or the lawyer in openly soliciting clients, violates the ethics of his profession, we mean that there is an unwritten law against such practices, which, as an honorable man, he is bound to obey.

The savings bank also has its ethical side. Through a long and honored history, there has been built up a system of ethics, with lines as finely drawn as prevail in any other calling, and in which honor and good conscience play an important part. Some of these rules—in fact, many of them—may be found in the judicial decisions involving savings bank law and practice, and to these we shall have frequent recourse in endeavoring to determine the underlying principles which govern such institutions. But there are other rules of conduct which are neither found upon the statute books, nor in the case law, nor in the bank's own laws (the by-laws), and we shall have to go deeper than either of these sources to ascertain what they are.

The savings bank man wishing to further selfish ends will find many opportunities to add to his earthly store, and in the law of the Commonwealth will find nothing to say him nay; but if he were to look deeper than the statute law he would find that the question is not: Is it lawful, but is it right, and what is the *moral* effect if wrong? In the making of mortgage loans, for instance, there are brokers willing to share their commissions in lieu of a wider latitude in borrowing, or the bringing to bear of that influence which will secure favorable action. There are insurance brokers who will gladly make it worth while to the savings bank man who will give them a monopoly of the bank's insurance

—no little item in the course of a year; and yet, who will endeavor to prove that the savings bank man, true to the trust imposed upon him, and true to the standards of the past and the ethics of the present, will use his office for the single end and aim of financial profit to himself?

And who dares attempt to sustain the position that where a savings bank official accepts commissions for making loans, the *security* of the loan and the *quality* thereof, are always paramount considerations? Human nature negatives such an idea.

As in other professions, we shall find the standard high and the conduct as a rule worthy; for in spite of the sordidness of present-day business and the tendency to make money and money only the sole end and aim of life, there are to-day savings banks and savings bank men "as clean as a hound's tooth," to whom the thought of anything that savored, however remotely, of graft would be abhorrent.

On the other hand, the "spirit of commercialism" which has poisoned so many callings has found an entering wedge into the field of savings banking, and as the quack doctor and the tricky lawyer have brought discredit on their professions, so we shall find savings bank men untrue to the ethical standard of their calling, and institutions rife with selfishness and self-aggrandizement; but such as these only go to prove how worthy of honor is the man, the institution, that has been strong enough to withstand the temptations that are on every hand.

In a study of these rules and principles, we shall find them to readily divide themselves into two groups, moral or unwritten, and legal or adjudicated. The latter will form the basis for our study, since they include, by implication at least, the moral, and by reading between the lines, we shall get a clear and comprehensive idea of what the moral duties of a savings bank man are. As in the introduction to the nature and functions of savings banks, we can best begin with an interrogation, namely, Who may be a trustee?

WHO MAY BE A TRUSTEE?

No man can *buy* his way into trusteeship in a mutual savings bank. He can only gain this honor by so conducting his personal and business affairs that his name shall be a synonym for honesty and integrity, and thereby *win* for him-

self the right to care for other people's savings. In this it is distinguished from other moneyed corporations (including stock savings banks) wherein stock ownership carries with it voting power, and voting power, control. The man who aspires to bank *directorship* needs only to buy enough stock, or control its voting power, to elect himself; but in the savings bank, the proposition is rather like this: Become a leading citizen and *wait until they elect you!*"

QUALIFICATIONS FOR TRUSTEESHIP

Except in a few cases, hereinafter noted, the qualifications are moral rather than financial. While rich men are desirable, their wealth must be accompanied by honor and an upright character. It has been held, with some degree of reason, that a man will give better attention to the affairs of a corporation in which his interest is pecuniary rather than sentimental, and this is true of some men; but there are others who will give the same careful thought to the institution out of which they never derive a financial benefit as if it were their own business. This is amply sustained by the high degree of excellence of the management of many of our eleemosynary savings institutions, a matter of no little pride to those who see in this the highest type of financial institution.

In practically every state that has a savings bank law, provision is made that, before issuing charter, the department of government having banks in charge shall investigate the *motives* that lie behind the request for charter, and become satisfied that the men are acting in good faith, and with worthy ends in view and are "representative men of business," whose standing in the community is such as to lend strength and dignity to the proposed bank. In New York, the qualifications are negative rather than positive; thus: (a) he must not be a resident of another State;* (b) no one against whom a judgment for a sum of money shall have been recovered, and remained unsatisfied of record or unsecured upon appeal, for more than three months; (c) or who takes the benefit of any law of bankruptcy or insolvency; (d) or who makes a general assignment for the benefit of creditors or is trustee, officer or clerk of another savings bank, shall be a trustee of a savings bank

*By the revision of 1914 one-fifth of the trustees of a savings bank in New York City may be residents of an adjoining state.

and if any of these events take place during his trusteeship his office becomes void. In Massachusetts the office of any trustee who takes the benefit of any law of bankruptcy or insolvency, or of the oath for the relief of poor debtors "shall thereby be vacated." This strict provision has no doubt caused some unfortunate good men some bitter tears, but it has also prevented undesirables from obtaining a seat which is, or should be, a mark of honor. In Indiana, it is required that trustees shall be freeholders, and residents of the county where the bank is located for at least five years prior to election, and shall own unencumbered real estate worth at least \$5,000. In New Jersey, the trustees must also be freeholders, and approved by the bank department.

In Vermont, the corporation is composed of not less than twenty nor more than fifty trustees. In Maine, the corporation consists of not less than thirty members, of whom five are trustees.

TRUSTEES IN YE OLDEN TIME .

The charter of the Institution for the Savings of Merchants' Clerks, in New York (now the Union Square Savings Bank), granted in 1848, contained some unique provisions in this regard, namely: Nine of the first managers should be selected by the Chamber of Commerce of the State of New York from its own body, and the president and first vice-president and treasurer of the said Chamber of Commerce, and the president and vice-president and treasurer of the Mercantile Library Association should always be ex-officio managers, and the nine members elected by the Chamber of Commerce, together with six ex-officio managers, should select the remaining nine managers.*

Such proceedings are unusual and do not obtain as a rule, the requirements being general, not specific. The number varies, from five upwards. In New York the minimum is thirteen, the maximum thirty.

REMOVAL OF TRUSTEES

As has already been indicated, trusteeship in New York and many other States is perpetual. But in the former

*The revision of 1914 provides "Nor shall a person be a trustee of a savings bank solely by reason of his holding a public office."

State a trustee may be removed by a three-fourths vote of the board, and unless he makes himself amenable to the law, he serves for life. In Massachusetts, by the act of 1910, if, in the opinion of the bank commissioner, an officer or trustee has abused his trust, or used his official position in a manner contrary to the interests of the bank or its depositors, or has been negligent in the performance of his duties, he may report the case to the attorney-general for such action as the situation demands. In Massachusetts, as in New York, bankruptcy voids the office, but the commissioner has the additional power, not granted in New York, of recommending the removal of any trustee as above stated. It would seem expedient to have some redress against the trustee who does not work in harmony with the rest of the board, and the perpetual feature no doubt is often a disadvantage.

DUPLICATION OF OFFICERS

It is likewise the intent of the law to prevent a duplication of bank officers and managers. The savings bank that is not connected with some bank of discount by some sort of an alliance is a rarity—the commercial bank men see to it that it is, for the savings bank account is usually one of the largest and most profitable accounts the bank of discount or trust company carries. When it is remembered that a bank with \$50,000,000 of deposits frequently has *over* five million on deposit with other banks, the alliance which can influence some of that money in certain directions is a most desirable thing to foster. Such alliances are generally entirely proper, although often abused. But to prevent one bank controlling another by force of numbers in the board (which is not to say that banks are not thus controlled irrespective of the number of duplications) it is usually found that some efforts are made in the law to make such duplication of management difficult, if not impossible. In California, in designating depository banks, the vote of a majority of the board *exclusive* of those who are officers, directors or trustees of the depository bank is required.

Thus, in New York, the statute provides that a trustee shall not "become a member of the board of directors of a bank or trust company of which board enough other trustees of the savings bank are members to constitute with him a majority of the board of trustees."

In Vermont: "No person shall hold office in two such corporations at the same time; and no president, vice-president or treasurer or assistant treasurer of such corporation shall at the same time, hold office as president, vice-president, cashier or assistant cashier in a bank of discount, State or national, or a trust company in this State; nor shall a *majority* of the trustees of any such corporation be directors in the same national or State bank or trust company."

In Massachusetts no president, vice-president or treasurer of a savings bank may be a like officer of a national or State bank or trust company.

In Maine: "No cashier in a national bank or trust and banking company shall be treasurer of any savings bank, the deposits of which exceed one hundred and fifty thousand dollars; and if the treasurer of a savings bank, having deposits not exceeding one hundred and fifty thousand dollars, is cashier of a national bank or trust and banking company, the board of trustees of such savings bank shall not include more than one director, nor more than two stockholders in the national bank or trust and banking company so connected therewith."

Thus there will be found a tendency, and rightly, to divorce the savings bank from the commercial. There may be instances where the relationship would be beneficial to both, and just and fair to all the interests involved, but human nature is all too prone to be biased when personal profit is in view, and the more marked the line of separation can be made the better it will be for the savings bank.

It is concluded, therefore, that not every man can be a trustee of a savings bank, especially in those States where the savings bank has had its best test; but once in office he is, as a rule, a permanent incumbent, the body to which he belongs being self-perpetuating, since it is quite general to permit the trustees of savings banks to select men to fill vacancies in their own organization, restricted, of course, as above; but, otherwise, they are a permanent body.

THE TRUSTEE'S FIRST DUTY

Having been elected, the trustee's first duty is to take the customary oath of office. In many States the name must be reported to the banking department, and the oath there filed. In Massachusetts, the department thereupon trans-

mits to him a copy of the savings bank act. The oath is not required in all States, and has been in force in New York only since 1908, but is coming to be more common as the laws are revised. Having duly qualified, his first duty is to attend the meetings, which are usually held monthly, although in a few States, as in Massachusetts, meetings are *required* but quarterly. This attendance is compulsory, and continued absence for any length of time, unexcused, voids the office. Thus in Massachusetts, absence from six monthly meetings vacates the office upon vote of the corporation to this effect. In New York absence from six *consecutive* meetings, without having been previously excused, *voids* the office *without* action on the part of the board. The New York Banking Department is particular to see that this provision is enforced.

In Indiana, nine omissions vacates the office. In Maine, two successive absences from annual meetings voids the office unless re-elected by the board. In New Jersey, the New York rule applies. In Rhode Island, failure to attend six meetings or "to perform the regular duties" voids the office, upon vote of the board.

It will thus be seen that the intent of the law is not only that the man shall have his name and influence loaned to a savings bank—*he must attend its affairs in person*. He must know something of the course of events, the loans, the general policy, the investments and the modus operandi of the institution.

COMMITTEE DUTY

In an opinion rendered by the Attorney-General of New York in 1879 it was held that "Committee duty is a duty devolved upon a trustee as such by the board and in pursuance of law. If a trustee attends no meetings or *performs no committee duties* for six successive months, his office becomes ipso facto vacant. Neglect to perform duties is equivalent to a refusal to serve and a continuance of such neglect for six months is, in the purview of the statute, a permanent refusal to serve. The law requires active fidelity in the execution of such trusts and does not tolerate passive indifference."*

*Paine's *Banking Laws*, p. 209.

THE REMUNERATION OF A TRUSTEE

As a general rule the trustees of savings banks are not allowed to receive fees for attending meetings of the board; and where this is permissible the fee is unusually modest and in some cases is regulated by law. The intent is that these men shall supervise the savings bank with the same end in view as they conduct the affairs of a church or other philanthropic institution, namely, public service. Thus, in New York they are allowed no fees whatsoever. In New Hampshire, reasonable pay for service rendered. In New Jersey they may receive such fees as are fixed by the board. In Connecticut, not over five dollars per meeting.

The mere fact that a trustee is not permitted to receive a fee for attending the meetings is not to say that he does not and should not be repaid for his services; but this compensation is never given him as *trustee* (meaning the custodian of other people's money), but as an officer or committeeman; which may be a "distinction without a difference".

It is but just that the man who gives his time to such an office should be paid what the service is worth—a laborer is worthy of his hire. Where he is in constant attendance as president he generally is, and should be, well paid.

Neither savings bank law nor savings bank ethics has anything to say to the savings bank manager who uses his office in honorable ways to add to his income; but the trouble is the honorable ways, aside from adequate salary, are so few and far between, while on the other hand, the questionable ways are so many.

If his moral perception is biased, and he cannot see the "fine line of demarcation" where ethics begin and profits end, he will have all sorts of temptations to add to his earthly store at the expense of his conscience. There are of a certainty savings banks unspotted in this respect; and, again, there are those where fees, commissions and other emoluments are not frowned upon—in fact, they are invited. But the official who must be recompensed in order to get a good loan through, or who must receive a commission on bonds bought for his institution, is out of his element in savings banking.

Following this thought, the laws of Vermont provide: "No officer, trustee, director or employee of a savings institution, savings bank or trust company shall receive any

fee, present, benefit or commission, directly or *indirectly*, from a borrower or applicant for loan, or from any one negotiating securities at the institution or company of which he is an officer, trustee, director or employee. Nor shall he receive any fee, benefit, present or commission, directly or indirectly, for a loan made or securities bought or sold by such institution or company, *except the benefit or profit he may derive in common with other depositors or stockholders, and the compensation allowed by such institution or company for services and expenses.*"

Massachusetts puts it a little stronger and adds a penalty, as follows: "Such corporation or a person acting in its behalf, shall not directly or indirectly negotiate, take or receive a fee, brokerage, commission, gift or other consideration for or on account of a loan made by or on behalf of such corporation, *other than appears on the face of the note by which such loan purports to be made*; but the provisions of this section shall not apply to a reasonable charge for services in the examination of real estate titles, and the preparation of conveyances to such corporation as security for its loans. Whoever violates a provision of this section shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year or both. Maine has substantially the same provision, except the penalty is one hundred dollars. In New York: "No trustee of any such corporation shall have any interest, direct or indirect, in the gains or profits thereof, nor as such, directly or indirectly, receive any pay or emolument for his services *except as hereinafter provided.*"

The New York law provides, in substance, that:

- (1) No trustee shall have any interest, direct or indirect, in the gains or profits of the savings bank, except to receive dividends upon the amount contributed by him to the guaranty fund and the expense fund of the bank. He may, however, deposit in the bank in which he is a trustee and receive interest on such deposits as any other depositor.
- (2) He may not become a member of the board of directors of a bank, trust company or national bank, of which board enough other trustees of the savings bank are members to constitute, with him, a majority of the board.
- (3) He may not borrow for himself or as agent or partner of others directly or indirectly, or use any of the funds held

by the bank, except to make such payment as are authorized by the board.

(4) He shall not receive, directly or indirectly, for his own use, any commission on, nor benefit from, any loan made by the bank, or any pay or emolument for services rendered to any borrower from a savings bank in connection with such loan.

(5) He may not direct or require a borrower from the bank to negotiate a policy of insurance on the property with any particular broker or brokers, or attempt to divert to any particular insurance broker the patronage of borrowers of the bank, or refuse to accept any such insurance policy because it was not negotiated through a particular insurance broker or brokers.

(6) He may not become an endorser, surety or guarantor, or in any manner, an obligor for any loan made by a bank.

(7) He may not for himself, or as agent or partner of another, directly or indirectly, borrow any of the funds or deposits held by the savings bank, or become the owner of real property upon which the savings bank holds a mortgage.

The service of a trustee, therefore, is to be of a philanthropic nature, similar to that rendered by the officials of a church or a school district. The element of personal gain is foreign to the office and "What do I get out of it?" wholly outside the vocabulary of the savings bank trustee who serves in keeping with the spirit and letter of the law.

The difference between receiving a fee or bonus for influencing loans and a fee for spending half a day looking at a piece of real estate upon which a loan is desired, or a day checking up the bond investments, is apparent; and while the first is tabu in well managed savings banks, the latter is entirely just, and obtains quite generally, although in some large sized banks this is still a gratuitous service. But before looking into the remuneration the trustees may lawfully and in all honor accept, let us go back for a few moments to an old law in Massachusetts that might well be in force to-day. It is commonly known in some places that to get a mortgage loan through the bank, one must have the proper entrée; and the entrée consists in applying through the proper channel. Whether or not any-

thing remains in that channel is another matter; certain it is that it should not be so.

In 1872 the Massachusetts Legislature decreed, that "No savings bank, or any person in its behalf, shall negotiate, take or receive any fee, commission or brokerage, for or on account of any loan made by or in behalf of such bank, either to his own use or to the use of the bank, other than shall appear on the face of the note or contract in which the loan is made, except the expense of examining titles, etc., *and no officer shall refuse to consider an application for a loan because presented by or coming directly from the borrower;* and if such application is rejected when there is sufficient money in the treasury to meet it, and the security offered is ample, *and the same is afterward considered on application through a broker or third party, the officer so violating the provisions of this act shall be deemed ineligible to fill any position of honor or trust in any savings bank.*" The penalty was twice the amount illegally taken. This law does not seem to be in force now—at least not as part of the present savings bank act. It was evidently passed to cure certain evils, and no doubt the evils still exist in some places.

Where the president is an attending officer, or where the time consumed in appraising real estate loans is considerable, and where the periodical audit is a lengthy affair, a just reward is eminently proper, and usually allowed; although there are instances where no fees of any sort are paid, and the best of care is given to the affairs of the bank without even a thought of monetary reward. It may seem like a Utopian tale, yet the author knows of a bank where upwards of five hundred mortgage loans were made in the course of twenty years, and the average expense, including title search and drawing papers, was twenty dollars; and in the appraisal of the property not a cent was paid to the funding committee, nor was any commission paid to any broker* for negotiating the same—the work was for the greater part done over the counter.

In New York, all charters of savings banks previous to 1850 contained provision that "The trustees or managers of said institutions shall not directly or indirectly receive *any pay or emolument* for their services." The first authorization to receive pay, when acting in any capacity, is found in

*By the borrower—and of course not by the bank.

the amendment to the charter of the Troy Savings Bank, where it was enacted that "It shall be lawful for the managers to pay the president of the institution such compensation as they shall deem reasonable, for superintending the business and concerns of said corporation, either wholly or with the aid of such clerks as the managers may from time to time appoint." (1850.) Again in 1858, the law was changed, making it lawful for the trustees of institutions for savings in New York and Kings counties and Buffalo "to pay their respective presidents such compensation for their services as shall in the opinion of the trustees be reasonable." In 1863, the Poughkeepsie Savings Bank was permitted to pay its president a reasonable compensation "out of the surplus earnings."* The Law of New York now provides that no trustee shall have any interest, direct or indirect, in the gains or receive any pay or emoluments, except as provided. Section 155 of the Banking Law provides that together with those officers who give their personal attention to the bank's affairs, and whose duties require regular attendance at the bank, trustees appointed as a committee to examine the vouchers and securities, and the appraisal committee, as aforesaid, "may receive such compensation as in the opinion of a majority of the board, shall be just and reasonable."

In Vermont, trustees may receive such compensation for their services as is fixed by the corporation at a regular meeting.

In New Jersey, "Any savings bank may pay its managers for attendance upon meetings of the board, *or for service upon committees*, such reasonable compensation for such attendance or service as shall be from time to time fixed by a *two-thirds* vote of the board of managers."

In Indiana, "It shall be lawful for any savings bank *that has accumulated a surplus of not less than five per cent. upon its deposits*, to pay trustees who render special personal service (beyond the ordinary duty of attending meetings and serving on committees other than of examination) such compensation as may be determined upon by the board of trustees and approved by the Auditor of the State. The trustee or trustees for whom such compensation for special service is voted, shall have no voice in the decision of the question. But no such compensation shall be voted by any

*Paine's Banking Laws, p. 52.

savings bank to any trustee until the Auditor of the State has made or caused to be made an examination of the affairs of such savings bank, and certified to its possession of the required surplus. And if such surplus shall thereafter become impaired, so as to be less than five per cent. of its deposits, such compensation to trustees shall cease until such surplus is again restored to five per cent."

The salaries in Indiana are regulated by law, on a graduated scale, depending upon the amount of deposits. In Massachusetts, "The board of trustees shall authorize the compensation, if any, to be paid to committees of said board. At each regular meeting of the board the treasurer shall report in detail all amounts paid by the corporation since the last regular meeting for services, fees or otherwise, to a member of the board of trustees or to any attorney of the corporation."

As before stated, the president is quite generally a salaried official, as he should be. Many banks have a "real estate man"—an appraiser of property under salary also, while in others there is a committee for this purpose to whom an allowance is made, to be divided equally among them. Some banks charge for the appraisal, and this may either go to the committee direct or to offset an appropriation to them. In all cases the attorney is allowed legal fees for searching, sometimes going through the bank's books and in others not appearing on the records at all. But these loan fees are always paid by the borrower, the law in many States so stipulating.

To illustrate how finely drawn is the line of distinction as to the emoluments of a trustee, in New York, the following opinion of the Attorney-General is cited in full. In February, 1887, the Superintendent of Banking addressed the following questions to that officer for opinion:*

1. Is it illegal for the trustees of a savings bank to accept a guaranty of title of property upon which the bank loans money, from a title guaranty company in which one or more of the trustees of the savings bank are stockholders?
2. Is it illegal for savings banks to accept policies of fire insurance when one or more of the trustees of the bank are directors or stockholders of the fire insurance company, which contracts to pay the loss occasioned by fire to the bank as mortgagee?

*Paine's Banking Laws, p. 213.

3. Is it illegal for a savings bank to deposit money with a discount bank or trust company when one or more of the savings bank trustees are stockholders or directors of such discount bank or trust company?

4. Is it illegal for trustee of a savings bank who acts as counsel to issue certificate as to the validity of the title of borrowers to real estate upon which the bank loans money?

In the opinion rendered February 16, 1887, this official quoted the section 142 as above,* and said: "This is the only section of the law which appears to prescribe the powers and duties of the trustees in respect to matters to which the questions relate.

"It is the duty of the trustees to satisfy themselves as to the validity of titles to real estate upon which the money of the institution is loaned. The manner in which they shall proceed to ascertain the validity of such titles rests in the discretion of the trustees; and if in the sound use of such discretion they deem it advisable to have the title investigated and guaranteed by a corporation engaged in such business, I do not think there is anything in said section (142) which can be construed into a prohibition from such services being performed by a corporation in which one of the trustees of the bank owns stock. This would not give such a trustee 'any interest, direct or indirect, in the gains or profits of the bank,' nor would the services rendered by the corporation in searching and guaranteeing the title, strictly speaking, be considered services rendered by a trustee. Even were it so construed the act does not prohibit the rendition of such services by the trustees, but simply forbids such trustees receiving compensation therefor. It is not borrowing money from the bank, nor is it becoming endorser or surety by a trustee, or an obligor for moneys loaned by or borrowed of such bank.

"Second question. A person owning real estate is at liberty to insure it against fire in a fire insurance company, irrespective of who or what the directors in such company are. The fact that the property is subsequently or previously mortgaged to a savings bank cannot abridge this right. The title to the property is not in the savings bank. The loss, if any, may be payable to the savings bank as mortgagee. This does not affect the right of the insured to choose his own company. A trustee of a savings bank, who may be a stockholder in the company in which the property is insured upon which the bank has a mortgage, receives no benefit, direct or indirect, from the bank. The contract is not with the bank, and is not necessarily made with a corporation designated by the bank. The profits derived by the insurance company do not come from the bank, but from the owner of the property by whom the premiums are paid.

"Third question. The section under consideration forbids a trustee of a savings bank, either for himself or as agent or partner of others, from borrowing any of its funds or deposits. Is a deposit in a discount bank or trust company of which one of the trustees is a director or stockholder such borrowing as is meant by the statute? There is a well-recognized legal distinction between a loan or 'borrowing' and a deposit; and the rights and responsibilities of parties under these different species of contract are quite different. 'Receiving deposits,' said the vice-chan-

*Now covered in § 267.

cellor, in Leavitt vs. Yates,* ‘as understood in the practice of banking different from borrowing money in the ordinary acceptation of that term and agreeing to allow interest on moneys deposited with a bank, and giving notes or certificates or any other evidence of debt therefor do not constitute the doing so an act of borrowing.’

“I think the word ‘borrowing’ as used in this section, was intended to be employed in its ordinary legal signification, and does not include deposits of money with banks of discount, and that when a savings bank deposits its funds with said bank of discount the latter cannot be said to be a borrower; and the fact that one of the directors being a trustee does not, therefore, bring it within the prohibition of section 112.

“Fourth question. A trustee may act as counsel in investigating and certifying the validity of titles to real property upon which the bank desires to loan money, subject to the prohibition from receiving any pay or emoluments from the bank for his services. In my opinion, therefore, the above questions should be answered in the negative, subject to the qualifications above stated.”

THE TRUSTEE’S RIGHT TO BORROW

If a trustee may not, as a rule, receive a fee for attending meetings; if he may not (lawfully) receive a bonus or fee in the matter of investments; if he may not be on the salary list except as he renders special service, nor get *any* pay for his work unless he *works*—may he in any other way find a loophole by which the office may be of monetary value to him?—In other words, may he use the institution for borrowing purposes?

In banks of discount, trust companies, stock saving banks, and savings banks in name only, it is the presumption of the law that they will borrow, and due provision is made as to the amount that may be loaned to certain individuals firms and corporations. But in savings banks such borrowing is generally forbidden.

In Vermont, “A trustee or officer of a savings bank shall not directly or indirectly, either for himself or as a partner of others, borrow or use its funds or deposits, or sign any note, as surety, upon which any of such deposits are loaned.”

In the State of Washington, “No officer or employee of any corporation transacting a banking business in this State shall be permitted to loan to himself any of the funds of the bank upon his own note or obligation, without *first having obtained the approval of a majority of the board of directors of the bank*, and the approval, if obtained, shall be made part

*14 Edw. Ch. 165

of its records. And if the directors of any bank shall knowingly permit any of its officers, directors or employees of such bank to borrow its funds *in an excessive and dishonest manner*, every director who participated in and assented to the same shall be held liable in his personal and individual capacity for all damages which the corporation, its shareholders, or any other person shall have sustained in consequence of such violation."

New Hampshire is quite liberal, for "No savings bank shall make a loan to any of its officers, nor accept any of its officers as surety or guarantor upon any loan, unless *all the trustees* of the bank have consented thereto *in writing*."

In New Jersey, his borrowing propensities will lose him his office, for "When a manager of a savings bank shall hereafter borrow, directly or indirectly, any of the funds of the savings bank of which he is a manager, or upon becoming surety or guarantor for any money borrowed of, or loan made by, such savings bank * * * the office of such manager shall immediately become vacant." The law of Missouri is substantially the same. Likewise in California.

In Indiana, "No trustee of any savings bank shall directly or indirectly receive for his services or otherwise, any pay or emolument except as hereafter provided, and no trustee, officer or agent of any savings bank shall directly or indirectly, for himself or as agent or partner of others, borrow any of the funds of the bank or its deposits or in any manner use the same, except to pay the necessary expenses, or to make investments, or to deposit for safety, as directed by the board of trustees; nor shall any officer, agent or trustee of any savings bank be an indorser or surety for loans to others, nor in any manner be an obligor for money loaned by such savings bank; nor shall any trustee, officer or agent receive, directly or indirectly, any commission or reward for procuring a loan from such savings bank, or for selling to such savings bank, any note, mortgage, chose in action, or property of any kind whatever."

The law in Ohio states that, "No loans shall be made to any officer or member of the executive committee, directly or indirectly, unless *duly authorized by a majority of the members of the board of directors*, which authorization shall be recorded on the books of the bank; and such loans shall be secured in the same manner as required from other persons."

THE LIABILITY OF THE TRUSTEES

In the by-laws of certain savings banks will be found a clause to the effect that "the trustees undertaking their duties without the expectation of emolument, and pledging themselves to an upright and conscientious discharge of their duties, are not to be held responsible for *any* losses which may happen from whatsoever cause, *except their willful, corrupt misconduct.*" Others put it this way: "As no trustee can receive any compensation for his services, *none of them shall be responsible for any loss whatever.*"

The first section quoted is in keeping with the law; the latter is not. Herein lies the difference between a savings bank and a bank of discount, insofar as the management is concerned. The directors and stockholders of a bank of discount are responsible to the extent of their stock, and generally to an amount equal to their holdings in addition, no matter what may have caused the loss. But the savings bank trustee has no such liability. And this explains why the office of trustee is preferable to that of director or stockholder, for the former is holden only in the event of violating the law. The loans and investments of a commercial bank are not closely restricted and are largely a matter of discretion; but the savings bank law generally lays down hard and fast rules, and the trustee need concern himself only that the law is kept in order to avoid responsibility. He may buy certain bonds. Mortgages may be taken upon certain conditions. The disposition of the available fund is usually provided for in the law. Losses, if any, can only come through *error in judgment*, against which there can be no safeguard. The trustee is presumed to use the same good judgment and care in the investment of the funds of the bank that an ordinarily prudent man would use in his own affairs, and as long as he does this he will not, nor cannot, be responsible. The depositors are in a sense partners, and as partners must share the gains and losses alike.

In an opinion of the Attorney General of New York, rendered Jan. 11, 1882, that officer said: "The general rules applicable to trusts apply with equal force to trustees of savings banks. The law permits such institutions to exist as places of safe deposit for the accumulation of limited amounts. They are generally patronized by people of small

means and the law takes cognizance of the fact. It means, therefore, that savings banks shall be safe and secure, and in order to so provide, it has hedged them about with provisions of the law. * * *. The law clearly points out the path to be pursued by its officers in the discharge of their trust. Being creatures of the statute, as well as trustees, the officers of such institutions are not permitted to deviate from the express rules laid down by statute for their guidance. * * *. After trustees of a savings bank have invested the moneys received on deposit they are accountable to depositors for the actual proceeds of such investment *as trustees, but not personally, if acting prudently and in good faith.*

In an action brought to recover from trustees of a savings bank money lost by reason of illegal purchase of North Carolina bonds, the trustees gave bonds to the bank department, together with other securities, to meet any deficiency in its assets. Upon trial it was found that the entire loss resulting from the illegal purchase of said bonds had been made good by the obligors on the bond, and it was held that they were released by such payment of damages sustained by their illegal acts.*

The savings bank movement had no more than gotten under way when gross and inexcusable frauds developed, largely because of the inadequate supervision and laxness on the part of the management. In a case that arose out of the Carnarvon fraud, in 1824, a strong opinion was rendered against the trustees, the judge saying: "This case cannot be made too public," and he "trusted that it would operate as a warning to the trustees of savings banks generally." The court was of opinion that "it should be borne in mind that deposits are made by parties, not on the faith of the persons acting as receiving officers, but upon the faith of the gentlemen who acted as trustees, and where such persons neglected the duties which were incumbent upon them, their conduct was deserving of censure; and if the clerk was guilty of peculation, they were likewise." This is good logic and good law, and the trustee not wishing to abide by it can surrender his seat to those who will. In this country, however, the rule is not so harsh.

**Hun, Receiver, v. Van Dyck et al, 26 Hun. 567 (N. Y.).*

A LEADING CASE

In the case of Hun vs. Carey,* one of the best citations on this subject, the facts were as follows: When the deposits of the savings bank conducted by the trustees in suit were only \$70,000, the trustees bought a lot for \$29,500, erected a building thereon at a cost of \$27,000 and gave a mortgage for \$30,500. At the time of the purchase the income of the bank did not equal its expenses, and had not for some years, as the trustees well knew. The court found that the facts justified a finding that it was a case of gross improvidence and mismanagement and held the trustees liable. The court said: "The relation between a savings bank and its trustees or directors is that of principal and agent, and that between the trustees and depositors is similar to that of trustee and cestui que trust. If such trustees transcend the limits placed upon their powers in the charter of the bank and cause damage to the bank or its depositors, they are liable. They are also bound to exercise care and prudence in the execution of their trust in the same degree that men of common prudence ordinarily exercise in their own affairs. When loss is occasioned by the failure of a trustee to exercise ordinary care and judgment, he cannot excuse himself by claiming he did not possess them; by voluntarily taking the position he undertakes that he does possess and will exercise them, and it is immaterial that the services are rendered gratuitously."

TRUSTEES PRESUMED TO KNOW

Trustees are presumed to know what is going on in their bank. As a rule all States require periodical examinations by committees of trustees.† The thoroughness of such audits is left to their own judgment. They may be complete, or may simply consist in counting cash and checking up bonds and mortgages.

In the case of Paine, Receiver, vs. Mead,‡ a transaction was entered on the books of the bank by the officers, and was presumed to have been with the knowledge of the trus-

*82 N. Y. 65.

†Which see under the subject of "audits."

‡59 How. Pa. 318.

tees, who are responsible for the acts of the officers whom they place and retain in position, the court saying, "They (the trustees) are legally chargeable with notice of acts of the officers, especially when those acts are entered upon the books of the bank. And if the trustees desire to escape liability, they must desist from illegal or improvident actions and try to remove officers who do them."

Savings bank officers cannot, therefore, assume responsibilities or enter into contracts or transactions so as to bind the bank, unless such acts are clearly incidental to the duties imposed upon them.*

The true rule is that such trustees are bound to the exercise of ordinary care and prudence, the degree of care and prudence that men prompted by self interest generally exercise in their own affairs.†

The trustees must bring to the discharge of their duties ordinary competency, together with reasonable vigilance and care.‡ The trustees of savings banks are personally responsible for frauds and losses resulting from gross negligence and inattention to the duties of their trust. They must know the fundamental law controlling the bank, and can only be excused when, after taking due care to understand the provisions of the law, they honestly mistake them.§ The managers of such institutions occupy the position of holders of a public trust of a benevolent and charitable nature, and it is their duty to preserve and foster the object of that trust with a *reasonable zeal.*¶

Good faith; faithfulness; knowledge of the law; due care in the keeping thereof, but only *reasonable care* in the performance of their trust—that care which a prudent man would exercise in his own affairs—these would seem to be the distinguishing characteristics of the savings bank trustee. He has assumed a public, and a sacred trust—one that involves the happiness and the peace of multitudes. Let him with due diligence and careful thought fulfill the trust both to his own honor and to the lasting benefit of those who have entrusted their money to his keeping.

*Grerly v. Nashua Savings Bank, 63 N. H. 145.

†24 Am. and Eng. Ency. of Law, 1248, 2d Ed.

‡Williams v. McKay, 46 N. J. Eq. 25.

§Marshall v. Farmers Savings Bank, 85 Va. 676.

¶Barret v. Bloomfield Sav. Inst., 64 N. J. Eq. 425.

ARE THE TRUSTEES LIABLE FOR EMBEZZLEMENTS?

The numerous cases of embezzlement that adorn (?) the pages of savings bank history naturally have raised the question, "How far in such a case is a trustee liable?" There are instances where the neglect has been so gross and inexcusable as to invite the criticism of the Legislature. This was true in 1910 of a bank in Maine. But the neglect has usually been in over-confidence in the integrity of one man and a willingness to trust him to the point of laxness rather than inattention to the bank. There are, on the other hand, cases where the loss has been practically beyond the control of the trustees, as where the perpetrator has been clever enough to cover up his tracks, or, as where a country savings bank had a large part of its deposits in farm loans, which, owing to real estate depreciation, brought about a state of insolvency,* in spite of and not because of the manner of conducting the bank.

As we have seen, the affairs of a savings bank are entrusted to a self-perpetuating body of unpaid trustees, whose acts are closely restricted by law. They are, in most States, given explicit directions as to what may be done with the money that has been placed in their keeping. They may take mortgage loans up to a certain limit of value, and in certain localities. They may buy certain bonds; they may deposit the balance in certain banks, and make certain loans on personal security.

It is clear that they ought not to be held legally liable for doing what the law permits, and even requires; but if they break a clearly defined law, they should be held *to the limit*—for the law is for their protection. There are cases of theft where the effects have been so disastrous that, waiving their legal liability, the trustees have come forward with a fund to make good the losses. This was true in Connecticut in the Walker affair, some years ago. The responsibility is moral rather than financial; but overstepping the moral, the legal responsibility will and should be visited upon them. No doubt, in small banks, should loss stare the depositors in the face, the trustees would quickly determine to bear it themselves rather than have the stigma attached to their names; but many banks are so large that any loss that would

*See chapter on "Insolvency."

affect the depositors would be so large as to make such a course impracticable.

The frauds in the early days in England demanded better attention on the part of the trustees, and in 1848 it was proposed to make the trustees responsible for a certain amount, which would be large enough to insure reasonable attention, but not large enough to frighten them into resigning. The sum was fixed at 100 pounds, and in some quarters was received with "mingled feelings of pain and alarm," but in one case at least the losses were fully borne by the trustees, who were principally rich noblemen, and bore the losses as a matter of honor.

In an opinion of the Attorney-General of New York, rendered in 1879, he stated: "The trust (speaking of trustees' liability), as thus defined by law, is to receive deposits, to invest them *only* in the manner prescribed, and to return the principal and interest to the depositors. The whole fund is protected by careful provision of the law. For the purpose of executing this trust every bank is required to have a board of trustees, etc. In addition to the compensation of officers, clerks, attorneys, expenditures may be made lawfully from the income for the incidental and necessary expenses of the institution. * * * Expenditures for those purposes fall within the legitimate duties of the trust; but neither the deposits nor the income can be lawfully used or expended for other purposes. They cannot be used to pay trustees compensation for services upon committees; nor the chairman of a regular standing committee for services *as trustee* in acting as such chairman; nor to pay for an *annual supper or entertainment for the trustees*; nor to pay for a *service of plate donated to a local organizer of a railroad enterprise*; nor to make *contributions for charitable, benevolent or sanitary objects*.* nor to make gratuitous appropriations to the *widows of deceased officers*; nor to pay costs and expenses to get bills through the legislature to pay interest on illegal loans; nor to make *gratuities to officers for past services*, who had been paid regular salaries, nor to lobby agents to procure general legislation relative to savings banks. Payments from the money of depositors for *all such purposes* are clearly illegal, and render the trustees who author-

*In some of the early reports of New York State savings banks, such items will be found among the payments.

ize or consent to them *personally liable for the diversion of the funds.* * * *

"This case presents the alternative that heavy losses must be visited either upon the multitude of depositors in a savings bank, or upon a small number of trustees to whom the management of the bank was intrusted. Whatever the event there is unavoidable hardship. The bank itself was *merely a trustee.* Its function or office was declared by the charter to be the 'receiving of deposits and investment of them for the use, interest and advantage of the said depositors.' From the time when its doors were first opened for business until they were closed by the decree of this court every transaction *was under their trust responsibility.* * *. * But we must rest content with the plan and provisions which the legislature has seen fit to prescribe. By that plan the trustees were charged with the duty of keeping the deposits duly invested, and they were clothed with ample power and discretion for the discharge of this duty. In the exercise of their discretion within the prescribed limits it would be manifestly oppressive to hold them liable for every loss or misfortune happening to the fund. To such an injustice the reasoning of Lord Hardwicke would apply: 'For as a trust is an office necessary in the concerns as between man and man, and which if faithfully discharged is attended with no small degree of trouble and anxiety, it is an act of great kindness in any one to accept it. To add hazard or risk to that trouble and to subject a trustee to losses *which he could not foresee* would be manifest hardship and would deter every one from accepting so necessary an office.' And this language is peculiarly applicable to the office of unpaid director or gratuitous trustee.

"The degree of skill and diligence required of such a trustee, serving without compensation, is not so easy to define. The general requirement that it must equal that of a man of *ordinary capacity and prudence* in the management of his own affairs, is, perhaps to be qualified, in view of the gratuitous character of the service. * * * But whether an unpaid trustee is responsible for only gross, or for a less degree of negligence, there are certain rules of liability which admit of no question. There must be strictest *good faith*, and there must be strict observance of the restraints established or approved by the courts, and of special conditions or directions whenever they are affixed to the trust. If a trustee *passes the*

bounds set for the exercise of discretion, no degree of care, diligence or good faith will protect him.”*

THE AVAILABLE FUND AND THE TRUSTEES' RIGHT TO BORROW FROM IT

Of necessity a savings bank must keep on hand or on call with other banks a sum sufficient to meet the ordinary demands of its business. These demands are spasmodic, being heaviest at interest periods. Runs, unforeseen and liable to occur upon slightest provocation, call for ready cash. Ordinary demands can, to a certain extent, be anticipated, and it is for this purpose the available fund is kept; but when exhausted through a long siege of withdrawals, the securities must be sold or pledged to obtain the wherewithal to meet pressing needs.

To keep such an amount of cash idle in vaults would be a waste of good money. Other banks can use such money to advantage and are willing to pay for its use. In fact the desire for the reserve deposits of savings banks has led in some instances to payment of excessive rates of interest —to the profit of the savings bank, to be sure, but at no small cost to the depository bank. It has even been hinted that savings banks have been organized for no other purpose than to act as feeders to commercial institutions, closely allied. The bank that can secure the largest and weightiest representation on the board of a savings bank will naturally get the most desirable account. Hence the ambition of the commercial bank man to secure such a seat. If one man is the dominating character in two institutions, it is an easy matter.

THE AVAILABLE FUND IN NEW YORK

The first authority for the keeping on deposit of such a fund in New York was in 1830, when the Bank for Savings was authorized to deposit temporarily in any of the banks of New York City and receive such interest as should be agreed upon.

“What they had done previous to this authorization,” says Keyes, “does not appear. Whether they kept their moneys in safes or vaults of their own, or deposited them in

*Paine's Banking Laws, pp. 241-243.

banks of discount merely for safe keeping, but it is probable that the latter was the more common procedure. This salutary provision enabled them to make such deposits under sanction of the law, and to derive some profit however small, from what must have been an embarrassing accumulation of idle capital."

In 1846, banks were authorized to hold an available fund not to exceed \$50,000, which was permitted to be kept on deposit or on interest or "otherwise," in such institutions as the trustees should direct. In 1853 the amount was limited to 10 per cent. of the capital stock, paid in, of such depository banks, provided that such fund should not exceed 20 per cent. of the deposits of the savings bank making such deposit. In 1853, this was limited to \$100,000 in one bank. In 1871, it was provided that deposits made in banks and trust companies must have the vote of a *majority* of the trustees *exclusive* of those who were directors of such bank of discount. By this act the amount was also limited to 20 per cent. of the capital of the depository bank and 10 per cent. of the deposits of the savings bank. At present the amount of such deposits is limited to 20 per cent. of the deposits of the savings bank (total available fund in all banks and on hand must not exceed this proportion) and the amount in any one bank or trust company restricted to 25 per cent. of the capital and surplus of such depository bank.

In a large city bank, with capital and surplus running up into the millions, this provision is not likely to be violated, but in the smaller banks in country districts, it is quite an easy matter. This feature is given due attention by the New York Banking Department, both in the semi-annual reports and at the time of examination.

Indiana limits the available fund to 20 per cent. of the amount of deposits and such depositories may be any bank in Indiana or any national bank in the United States. New Jersey limits the amount to 10 per cent. of the deposits, placed with any "solvent" bank in New Jersey, or on call with any "solvent" trust company in New York, New Jersey or Pennsylvania, as a majority of the managers may direct by resolution.

It will readily be seen that the intent of the law is that no great amount of idle savings bank money shall find its way into favored banks of deposit. In the case of banks

having attained their growth, it is usually a highly desirable account—permanent and profitable.

The question naturally arises, if the trustee cannot borrow of a savings bank direct, may he, by *manipulating this available fund* into the bank from which, *under the law he can borrow*, obtain the use of the funds without violating the law in *any* sense? This may be “splitting hairs to raise an issue” but nevertheless worthy of consideration.

To prevent “entangling alliances” with commercial institutions, the laws of many states have had something to say, and this subject has already been treated. The intent is generally to safeguard abuses that are possible in this respect. Suffice for present purposes to quote the New York law, which reads: “It shall not be lawful for a *majority* of the board of trustees of any savings bank to belong to the board of directors of any one bank or national banking association. Whenever any such trustee of a savings bank shall, by becoming a director of a bank or national banking association, cause a majority of the trustees of such savings bank to be directors of any one bank, his term of office as trustee of the savings bank shall thereupon end.” Violation of this provision forfeits the franchise of the savings bank.

SAVINGS BANK DEPOSITS IN BANKS OF DISCOUNT

That a deposit by a savings bank in a bank of discount is *not a loan* is amply sustained in law. A deposit by a savings bank of its funds in a national bank is not illegal where such deposit is not shown to exceed ten per cent. of its deposits, although the terms of such deposits secure to the savings bank a payment of interest upon its amount, as such agreement to pay interest does not convert the deposit into an unauthorized loan.* “Receiving deposits,” said the vice-chancellor in Leavitt v. Yates, 4 Edw. Ch. 165, “as understood in the practice of banking, is different from borrowing money in the ordinary acceptation of that term, and agreeing to allow interest on moneys deposited with a bank and giving notes or certificates or any other evidence of debt therefore does not constitute the doing so an act of borrowing.”

*Erie County Savings Bank v. Coit, 104 New York 532.

In an opinion filed with the banking department by the Attorney-General of New York, February 16, 1887, that officer held: "I think the word 'borrowing' as used in this section, was intended to be employed in its ordinary legal signification, and does not include deposits of money with banks of discount, and that when a savings bank deposits its funds with said bank of discount the latter cannot be said to be a borrower; and the fact of one of its directors being a trustee does not, therefore, bring it within the prohibition of the law."^{*}

It would therefore seem to be true that no matter how much a trustee, who is a director in another bank, may borrow of the latter institution, even though the money he borrows may be the identical money which the savings bank has deposited fifteen minutes before, *he has not borrowed of the savings bank*, although if the transaction were to be closely analyzed, he did borrow of the savings bank, *through the medium* of the deposit of the available fund. The commercial bank is debtor to the savings bank, and the borrower is debtor to the commercial bank. At the moment of deposit the funds became the property of the bank of discount, and it may loan them to whomsoever it will. The relationship existing between the borrower and the previous owner of the funds is irrelevant.

It is very clear that to so control the affairs of a savings bank as to be able to turn the available fund where one wills is a most desirable power to possess; and to be able through the funds so placed to borrow from the depository at will, is a privilege not to be frowned upon; but to make such use of trusteeship is hardly in keeping with the ethical principles of the savings bank. Be this as it may, it is done every day and will be as long as the savings banks keep an available fund—which will be until the people never get frightened and make unusual demands upon the bank, which only coin of the realm can satisfy.

ENTANGLING ALLIANCES

Many of the savings banks organized after the Civil War were fathered by banks of discount and intended to act as feeders to them. In fact so close was the alliance that the

*Paine's Banking Laws, p. 214.

business was frequently transacted under the same roof and often in the same room, and even over the same counter. In small neighborhoods where it was thought a savings bank might be of service it was found that the patronage secured would hardly be sufficient to warrant the expense of an independent establishment. Economy would, therefore, be promoted by transacting the business of the savings bank in the office and through the officers of an ordinary bank. A small addition to the salary of such officers would compensate them for the services rendered, and the bank would be at no additional expense, and the slight inconvenience suffered by the accommodation thus afforded would be compensated for by the balance of the savings bank funds left with it for deposit and use. But the tendency of such connection was to make the affairs of the savings bank subordinate to those of the bank of discount.

Whenever the affairs of the savings bank became prosperous, and its business profitable, these would be made to inure to the benefit of the stock corporation. A large proportion of salaries would be apportioned from the savings bank profits, rent for the accommodation furnished would be charged and allowed, and the heaviest possible line of deposits from the savings bank would be carried or held by the bank of discount. In short, the interests of the bank of discount would be in conflict with the interests of depositors in the savings bank, and in this conflict of interests, with the power of control all in the hands of one of the parties, it was plain enough to see which party would fare worst in the strife.*

In the report of the bank commissioners of Massachusetts for 1861 a separation of these institutions was recommended, and the fact that there were twenty-seven such banks located in the *same room* and managed by the same officers strongly condemned, for they had found besides the evils mentioned above that "the books of the savings bank were sadly in arrears, because the treasurer was too much occupied with his duties as cashier to keep them written up." "Nothing," says the committee "is of more dangerous tendency than a neglect to keep the transactions of a moneyed corporation properly entered and posted." I quite agree with them in this, and what is more such neglect should not

*Keyes, page 64, vol. 1.

be tolerated for a moment, and probably is not as a general rule today.

In a report on this subject to the New York Legislature in 1868 it was pointed out that the danger in these entangling alliances was that: (a) The savings bank would keep too large a proportion of its money with the bank of discount; (b) that the trustees of the savings bank indisposed to tax themselves with the management of the bank might contract with the bank of discount to receive and pay money for them and so subordinate the savings bank to the bank of discount; (c) that through duplication of officers the two institutions would practically become one, and the savings bank quite likely to be the "other one."

It was sought at that time to prevent such happenings by prohibiting *any* trustee from becoming a director of a bank of discount. Mention is made by Keyes of the case of the Manufacturer's Savings Bank of Troy, whose deposits decreased from \$129,569 in 1861 to \$22,714 in 1867. Presumably this was a liquidation process; but it was found to be no such thing. All the trustees were directors of another bank, and true to their instincts as such directors, advised their depositors to make deposits directly in the national bank and take interest-bearing certificates. The reason for this was that by depositing directly in the national bank the tax imposed by the government was avoided. Enough has been said on this subject to demonstrate that such alliances existed, and savings banks were often under the "vulturous protection of national banks" as Keyes puts it. Space forbids the tracing of the efforts to cure the evil; suffice it to look for a moment at the law as it now stands to prevent such complications.

New York not only forbids a majority of the trustees of a savings bank to belong to the board of directors of another bank, but the designation of depository banks must be by vote of a majority of the trustees exclusive of the trustees who are officers, directors or trustees of the depository bank; nor shall any savings bank do business in the same room or in any room communicating with any bank or national banking association.

But in New Hampshire the mingling of the two corporations is permitted, subject to the condition that the treasurer of the savings bank shall cause a committee of the

directors of the national bank to endorse upon the reports of the examinations of the affairs of the savings bank returned to the bank commissioners, a certificate under oath that they have made an examination of the books of the national bank at the same time the savings bank was examined and found them correct—hardly a preventative measure.

Other restrictions of similar nature may be found in the laws of the New England states, but the tendency is to divorce the two institutions, or perhaps to speak more correctly, to "separate" them, so that while they may be connected through the management, they are outwardly, at least, distinct.

CHAPTER X

THE BY-LAWS

The by-laws of a savings bank are of more importance than at first sight they would seem to be. In fact, no single feature of savings bank management should receive more careful thought than the rules and regulations under which the affairs of the bank are conducted.

The law generally allows a wide latitude, and banks are permitted to make their own regulations, limited only by the law of the commonwealth. As long as a bank works in harmony with the law, it may make all reasonable rules, but *they must be reasonable*.

There is a marked similarity in the by-laws of these institutions, caused, no doubt, by banks using each other's by-laws as models in framing their own; but usually some slight differences will be found, due to individual taste and opinions.

In the present chapter it is intended to present the subject of by-laws, topically, the design being that a bank deciding to change its by-laws may here find suggestions and suggestive wordings. At the close there will be found a complete set of by-laws in force in a large savings bank in New York, singularly complete and comprehensive. The following are taken from savings banks of all kinds and in all parts of the country, and the State is in many instances indicated. It will be noted that frequently two or three wordings are given for the same subject.

In the preparation of this part of the work, upwards of one hundred sets of by-laws have been carefully read, in order to get a composite set of rules that will be representative of the American savings bank. Where differences exist they have been noted by repeating the subject in its altered form.

THE BY-LAWS BEFORE THE BAR

As long as no question arises in banking procedure, the rules and regulations may seem of little moment, but once

litigation begins, as it has frequently in the past, these rules will at once become a factor and will be *strictly* and *literally* construed.

We shall see that the act of making a deposit in a savings bank and accepting a pass-book constitutes a contract —a valid and enforceable contract between the bank and depositor. This contractual relation is represented by the pass-book and this instrument in all cases contains the conditions of the agreement. Many banks also issue the complete by-laws in pamphlet form, thus acquainting the depositor with the full details of the management; but that part which immediately affects the depositor is sufficient to satisfy the law. But whatever this contract may be, the courts will hold strictly to the letter of the agreement, as in all matters of contract. If the bank promises to use its "best efforts" to prevent fraud and loss, the court will ask "Did it use its *best efforts*?" If only ordinary care is promised, only ordinary diligence will be expected. Due care should therefore be taken that the by-laws are plain, explicit and just to both parties interested.

THE CONDUCT OF THE BANK

We shall first consider the management of the bank. This resolves itself into three departments, administrative, executive and clerical. The general administration is entrusted to a board of trustees. This body is created at the time of organization by the granting of charter by the Department of State that has charge of banks and banking, usually the Banking Department, the Department of State, and in some cases the Insurance Department. Thereafter the board of trustees is generally self-perpetuating.

The executive work of the bank devolves upon committees and officers. The committees have general oversight of the business, but the conduct of the bank really rests upon the officials. While the investing of funds and making loans is a function of the finance or funding committee, and the periodical examinations are made by auditing or examining committee, the executive work falls to the attending officers.

In the early days of savings banks in this country, it was the custom to appoint "attending committees," whose duty was to attend the bank in person, and super-

vise the actual work of the institution; not only to supervise it, but do it. This was true of the Bowery Savings Bank of New York for seventeen years during its early history, and of many others. In the infancy of savings banks, when they were looked upon as charitable institutions, the members of the board of trustees attended in rotation at the bank; but what they did beyond lending a general air of elderly benevolence has never been ascertained. Where this custom is in vogue they almost invariably sign their names in a big book, and this is probably the most important of their functions. Such attendance inevitably degenerates into a farce.* With the growth of savings banks and the practice of making the president a salaried officer, this custom has become obsolete in many places, and where it still obtains it is a perfunctory service. Many banks, however, still embody this in their by-laws, the intent being to acquaint the full membership, by rotation in office, with the practical workings of the bank. It is an excellent idea, but in many places quite impossible to operate successfully under modern conditions.

The executive officials consist of a president, treasurer and secretary, and in a few banks a comptroller.† Some banks combine the offices of secretary and treasurer; while some add a cashier, whose duties are similar to those of the comptroller, or secretary. The clerical force of the large city banks may be said to begin with the chief clerk, auditor, or cashier, who acts as the administrative head of the accounting system, followed by the head book-keeper, tellers, ledger clerks, assistants, filing clerks, etc., down to the janitor, guards and night watchman.

MANAGEMENT OF THE BANK—TRUSTEES

NUMBER. This bank shall be under the management of twenty trustees (New York). (The number varies according to locality, running from seven up to fifty, but usually under twenty).

RESPONSIBILITY. (a) The trustees undertaking their duties without the expectation of emolument, and pledging themselves to an upright and conscientious dis-

*Bolles' Practical Banking, p. 316.

†In some banks the comptroller is next in office to the president.

charge of them, are not to be held responsible for any losses which may happen from whatsoever cause, except their willful, corrupt misconduct; in which case those trustees only who were present, and guilty of such misconduct, shall be answerable for the same (Mass.). (b) No officer or trustee shall be responsible for any loss whatever, except what may happen from his own willful and corrupt misconduct (Mass.). (This is in keeping with law—the next two are not.) As no trustee can receive any compensation for his services, none of them shall be responsible for any loss whatever (New York). The directors having undertaken to transact the business of the corporation without pay or reward, neither they nor any member of the corporation will be liable for any loss or losses which may occur (Conn.).

DUTIES. Two members of the board of trustees other than the members of the board of investment shall visit the bank monthly and inspect the books relating to the deposits and withdrawals, and their findings shall be recorded in a book kept for that purpose (Mass.). (Note: The by-laws of the Bank for Savings, the oldest New York savings bank, require substantially the same. It was the intent at the beginning (1819) that the trustees should supervise the bank in person, rotating in this work, and this practice still obtains, although since the making of the president's office a salaried one, the work of the trustees in this regard has been more or less perfunctory, but it is still a part of the bank's management).

TRUSTEES' REMUNERATION. No trustee shall receive directly or indirectly any pay or emolument for his services except for such services as shall be rendered continuously or periodically in a distinctively defined function imposing duties and responsibilities relating to the administration of the bank in addition to those which devolve by law or otherwise upon the board of trustees as a whole (New York).

TRUSTEES NOT TO BORROW. No trustee or employe shall borrow directly or indirectly, any of the funds of the bank nor become surety or guarantor for any loan from the bank, nor shall any loan be made which is secured by any mortgage on any real estate in which at the time of the loan any such person has any beneficial interest (New York).

ATTENDANCE AT MEETINGS. (a) If any trustee fails to attend the meetings of the board or perform any of the duties devolving upon him as such trustee for six successive months without having been previously excused, the office of such trustee shall immediately become vacant (New York). (This follows the New York law literally.) (b) Any trustee omitting to attend the regular meetings of the board for six months in succession, may thereupon, at the election and discretion of said board, be considered as having vacated his place, and a successor may be elected to fill the same (Maine).

GENERAL AUTHORITY OF THE TRUSTEES. The trustees may, by vote of the majority of the whole number, at any time, pay off any or all of the depositors, or divide the whole of the property among the depositors in proportion to their respective interest therein, upon giving three months' notice thereof; and they shall also be at liberty to refuse any deposits at their pleasure.

MEETINGS OF THE BOARD

REGULAR. There shall be stated meetings of the board of trustees on the second Thursday of every month, to be held at its banking rooms, or such other place in the City of New York, as the president or a majority of the trustees may direct, if for any reason it becomes necessary to change temporarily the said place of meeting (New York).

MEETINGS—HOW CALLED. (a) By depositing notice to them in the post office at least six hours before the meeting (New York). (b) The secretary shall *seasonably* notify the members of all meetings of the corporation (N. H.). (c) A written or printed notice for each meeting shall be sent to each manager (Pa.).

SPECIAL MEETINGS. (a) Special meetings may be called by three of the trustees by giving twenty-four hours' written or printed notice of the same (New York). (b) Special meetings may be called by the president or secretary, or upon request of five trustees (New York). (c) Special meetings may be called by the president, of which twenty-four hours' notice shall be given, or by either of the vice-presidents, or three of the trustees, of which forty-eight hours' notice shall be given. Notice of special meetings shall

be given in writing and left at or mailed to the residence or place of business of each trustee, stating the object of the meeting (New York).

QUORUM. A quorum at any regular, special, or adjourned meeting shall consist of not less than seven trustees, of whom the president shall be one; except when he is prevented from attending any meeting by sickness, or other unavoidable detention, when he may be represented in forming a quorum by the first vice-president, who, in case of his absence from like cause, may be represented by the second vice-president, but less than a quorum shall have power to adjourn from time to time, or until the next regular meeting (New York). Five members shall be a quorum to transact ordinary business, but for the election of executive officers, filling vacancies, either in the executive officers or in the board or altering the by-laws, two-thirds of the board shall be present (North Carolina).

ORDER OF BUSINESS. At all stated meetings the following shall be the order of business:

1. Reading the minutes of the last stated, and any subsequent meeting of the board.
2. Reading the minutes of the funding committee.
3. Treasurer's report and general statement.
4. Reports of committees.
5. Unfinished business.
6. Communications from banking department.
7. New business.

MINUTES OF THE MEETINGS. The secretary shall attend all such meetings, keep a record of the doings of the same, and perform such other duties as may by law be required of him. The minutes shall be read *previous to adjournment* and also at the next regular meeting for approval.

VACANCIES—HOW FILLED. (a) Every vacancy among the officers or trustees of the institution, whether occasioned by death, resignation or otherwise, and every vacancy to occur by reason of a resignation to take effect at a future date which has been accepted by the board, shall be filled by ballot at any stated meeting of the board; but no election to fill such vacancy shall be held without three days' written or printed notice given to the trustees, specifying the vacancy to be filled, excepting that

if at a stated meeting when such notice has been given, an officer is elected to fill a vacancy, and another vacancy is created to take effect then or thereafter as a result of such election, such resulting vacancy may be filled at the same meeting without further notice. A majority of all persons present and voting shall be necessary for a choice at all elections, and at least eleven affirmative votes shall be necessary for the election of any trustee or other officer of the board (New York). (b) After proposals of names for new trustees or for the filling of vacancies, the president shall appoint a committee of five to consider the propriety of electing the proposed members and report to the board at the next meeting (New York). Names of proposed trustees must be presented at a regular meeting (New York). No name shall be presented to the board of trustees to be acted upon for membership until such name shall have been referred to the executive committee and reported upon at the next regular meeting (New York). Each name proposed must be on a separate piece of paper and signed by a majority of the trustees (New York). The names of all persons intended to be proposed at any meeting as members of the corporation shall be posted in the president's office for two weeks at least before such meeting (Mass.).

OFFICERS

The officers shall be a president, two vice-presidents, secretary, and treasurer, who shall be elected by ballot from the board of trustees, and such other officers and assistants shall be appointed as the board of trustees may deem necessary, who shall hold their offices during the pleasure of the board.

The title "officer" or "officers" as used in these by-laws shall mean the president, vice presidents, secretary or treasurer. (Note: Some banks designate the attending officer "Secretary," others "Treasurer" and still others "Cashier," while in many cases the three are combined in one. In large banks all three may be found, in addition to others.)

A counsel shall also be appointed, who shall *not be a trustee.*

The attorney shall attend the meetings of the board, when requested, and the board may regulate his charges for services (New York).

DUTIES OF PRESIDENT AND VICE-PRESIDENT

(a) The president shall have the general charge and superintendence of the bank, its management, securities and obligations. He shall have power to execute, in the name and under the common seal of the bank, such releases from, or conveyances, assignments or transfers of, the property or securities of the bank as may be authorized by the board of trustees. He shall also have power, upon receipt of principal and interest due thereon, to execute assignments of bonds and mortgages and satisfaction pieces of mortgages.

In the absence of the president either of the vice-presidents may discharge any or all of the duties of the president. In case any conflict of authority or duty shall arise between any of the officers or employees of the bank the decision of the president shall be conclusive until overruled or modified by the board of trustees. (New York.)

(b) The president shall have general supervision and direction of the business of the institution, subject to such action and regulations as may from time to time be adopted by the board of trustees.

He shall, in conjunction with the treasurer, have charge of the common seal, also of all bonds and mortgages, stocks, securities and other property belonging to or held by the institution.

All satisfactions of mortgages, releases and conveyances shall be signed by the president or one of the vice-presidents and secretary or treasurer.

He shall preside at all meetings of the board of trustees, and appoint all committees, unless otherwise ordered, and shall perform such other duties as usually devolve on the chief executive officer of like institutions. (New York.)

It shall be the duty of the first vice-president to consult and advise with the president in all matters and affairs of the institution, to assist the president in the discharge of his duties, and to perform all the duties of the president in his absence or inability to act, and in concurrence with the president, to have a general oversight of all the business and affairs of the institution. (New York.)

It shall be the duty of the second vice-president, whenever requested by the president or first vice-president, to

perform all the duties devolving upon the first vice-president in his absence or inability to act. (New York.)

DUTIES OF TREASURER

(a) It shall be the duty of the treasurer to attend at the bank during banking hours, and at such other times as may be necessary; to keep or cause to be kept, an account of all moneys received and paid out; to make, or cause to be made, the necessary entries in the pass-books of the depositors; he shall receive the funds remaining in the hands of the teller, or on hand; provide the necessary supplies and other articles, books, blanks and stationery required in the prosecution of the business of the bank, and pay such salaries to the employees of the board as he may be by their vote directed when due; and in connection with the president he shall have charge of all bonds and mortgages and other securities and property of the bank, excepting bonds given by the employees of the bank. (New York.)

(b) It shall be the duty of the treasurer to keep an account of all moneys received and paid out, and to report the same in detail at each monthly meeting of the board; he shall also make out and prepare in due time all such reports and returns, or other statements as the institution is required to render in compliance with the statutes, and perform such other duties as the board may by resolution require. (New York.)

(c) The treasurer shall be ex officio clerk of the corporation and of the board of trustees and shall keep a true record of the proceedings at all their meetings and publish notice of meetings as prescribed in these by-laws.

It shall be the duty of the treasurer, with such assistants as he may be authorized by the board of trustees to employ under fixed compensations, to attend at the bank during bank hours to enter all deposits and payments made to depositors in the books of the bank, and a duplicate of each entry in the book of the depositor. He shall keep, deposit, and invest the money and property of the bank as directed by the board of trustees. He shall pay all debts due from the bank, make all transfers of securities, and collect, receive and enforce all debts and obligations due to it, and upon payment thereof shall acquit and discharge the

same and surrender or discharge all security held therefor, and shall transact the other ordinary business of the bank and present to the board of trustees, weekly, an exhibit of the state of deposits, liabilities and investments of the bank. The treasurer shall have charge of all the securities.

DISCRETION OF TREASURER

The treasurer is hereby authorized to procure all needful books and stationery for the use of the bank, and to pay for the same without audit; also to pay all other just and legal claims against it of known and fixed amounts, as rent, taxes, salaries, etc.

DUTIES OF THE SECRETARY

It shall be the duty of the secretary to conduct the correspondence of the bank, to receive all mortgage applications, and submit them to the appropriate committees; he shall notify the trustees and committees of all meetings required to be held, and be present and keep the minutes of such meetings if so required.

GENERAL DUTIES OF THE TREASURER AND SECRETARY

The treasurer and secretary shall, under the general direction of the president, superintend the daily transactions of the bank; make, or cause to be made, the necessary entries in the pass-books of the depositors; collect the principal of, and the interest and income arising from, all securities or property held or owned by the bank, as the same may become due; cause the same and the money received from depositors to be deposited daily in such bank or banks as the board of trustees may direct, except a sum sufficient to meet the ordinary demands of depositors from day to day, which sum shall, after banking hours, be kept in the vault of the bank; cause all policies of insurance upon buildings mortgaged to or owned by the bank to be renewed at or before their expiration; provide all necessary books, blanks and stationery, and cause all salaries to be paid when due. In the absence of the treasurer his duties shall be performed by the secretary; and in the absence of the secretary his duties shall be performed by the treasurer.
(New York.)

THE COMPTROLLER

The comptroller shall daily audit and revise the accounts of the tellers at the offices of the society and verify their reports of receipts and payments, and the postings thereof in the ledgers. He shall, under the direction of the president, have the care and management of the society's investments in real estate; and he shall also perform such other duties as may be assigned to him by the president. (Pa.)

SURVEYOR AND APPRAISER

The surveyor shall survey and appraise property for mortgage loans, and sign orders for payment by the president or treasurer of instalments on mortgage loans. (New Jersey.)

COMMITTEES AND THEIR DUTIES

It shall be the duty of the president to appoint annually at the regular annual meeting of the board of trustees in January, subject to the approval of the board, the following committees: Finance committee, consisting of five members; examining committee, consisting of three members; executive committee, consisting of three members; appraisal committee, consisting of three members; attending committee, consisting of six members, and also an attorney, together with such other committees as may from time to time be authorized by the board. (Note: In many banks a nominating committee is also included, whose duty is to suggest names of trustees, officers and committees, in place of the president as above.)

FINANCE OR FUNDING COMMITTEE

(a) There shall be a committee of five members of the board to be denominated, the funding committee. The president and treasurer (who are hereby permanently appointed as part of said committee) and three other trustees taken in rotation, the terms of office of one of whom shall expire each year, shall constitute said committee, whose duty it shall be to invest the money received, under such limitations as are prescribed by law, subject to the approval

of the board, at each monthly meeting; to examine the books, accounts, securities and management of the bank, and report thereon to the board at the monthly meetings in June and December, and at the same meetings to recommend a rate of interest dividend to be declared.

Each application for mortgage loan may be approved by said committee, after the same shall have been investigated by one or more of their number or a member of the board and such investigation certified to, as to the value of the premises to be mortgaged, according to their best judgment. The report of such investigation shall be filed and preserved among the records of the bank.

Annually at the meeting in February, there shall be elected for two years, one member of such committee, to fill the place of him whose term of office expires at that time. Members of said committee retiring therefrom by expiration of their term or by resignation, shall be ineligible for re-election until after one year from the time they shall so retire.

In case of the inability by sickness, absence, or other unavoidable detention of any member to attend the meetings of any committee, the president may designate any member of the board of trustees to act as a member of said committee during such inability.

Three members of said committee shall constitute a quorum. (New York.)

(b) The finance committee shall hold stated meetings at the bank on the last Tuesday of each month, at 10 o'clock A. M. They may also hold special meetings, and adjourn from time to time. They shall appoint a chairman and secretary, and keep a record of their proceedings.

They may consider applications for loans, make investments, which (when ratified by the board) shall be valid, and transact any other business allowed to the monthly meeting of trustees; and whenever said monthly meeting shall fail of a quorum, said committee may organize and act in its stead. (New York.)

May settle and adjust claims against the bank and consult counsel. (New York.)

(c) It shall be the duty of the finance committee to meet as often as circumstances require, and to superintend and direct all loans and permanent investments of the funds of the institution. They shall examine all applications for

loans on bond and mortgage, or other permanent investments, and particularly all real estate that may be offered to be mortgaged to the bank as security for loans, and ascertain its value and sufficiency for the proposed security. And if, after loans are made, they shall at any time doubt the sufficiency of the security, they shall call in so much of the loan as will render the remainder well secured, or require additional security. They shall keep a record of their proceedings, and make a report thereof, in writing, at every stated meeting of the board of trustees. They shall make a special examination of any or all real estate and premises on which the bank holds a mortgage whenever they think it necessary or advisable to do so, or whenever required by the board of trustees, with the view of ascertaining its then present condition and value, and report the result of such examinations at the next stated meeting of the board thereafter.

This committee, with the president and secretary, shall have power to adjust and settle all claims against the bank where the amount involved shall not exceed five hundred dollars; and they may employ and consult counsel. They may likewise decide and grant applications for a release of part of mortgaged premises, in cases when such applications or claims cannot conveniently be referred to a meeting of the board. (New York.)

EXAMINING COMMITTEE

(a) There shall be annually taken by rotation an examining committee of five members of the board of trustees, who shall carefully examine the books, accounts, securities, bonds of officers and employees, and management of the bank, and report thereon to the board whenever deemed necessary. (New York.)

(b) There shall be elected at the regular monthly meeting in June and December of every year a committee of three, whose duty it shall be to make a thorough examination of the vouchers, books and assets held by the institution, and report to the next regular monthly meeting of trustees the state of the books, and a detailed statement of all the various assets, liabilities and business of the institution. The reports to the Superintendent of the Banking Department of the assets of the institution shall be based upon the examination to be made by the com-

mittee on the last days of June and December in each year. A synopsis of the committee's report shall be printed for the use of the institution and its depositors. The committee may employ accountants or such other assistance, in fulfilling its duties, as it may deem advisable or necessary. (New York.)

(c) It shall be the duty of the auditing (examining) committee to examine the cash funds on hand at least once each month and to examine all vouchers and audit all accounts and bills and the expenses of the institution.

The examining committee shall have general supervision of the bank during the recess of the board, make loans, appraise the value of real estate; may suspend any clerk or employee and supply his place until the regular meeting of the board.

ATTENDING COMMITTEE

(a) It shall be the duty of the attending committee, or one of them, to attend at the bank at least once a week during the month when it shall be open for deposit and repayment of moneys, and to inform themselves of the operations of the bank; if, however, one or more shall be unable to attend, it shall be his duty to procure the attendance of another trustee in his stead. They shall also, each day that they are in attendance, make careful examinations of the books of the bank and see that all moneys which may have come into the hands of the treasurer shall have been deposited in bank or otherwise properly accounted for. In case any member of either standing committee cannot personally attend to his duties on said committee, he may appoint any other trustee a member of said committee *pro tem* in his stead, whose acts shall be equally binding. (New York.)

(b) A monthly attending committee, embracing all the members except the president and vice-presidents shall be appointed, whose duties shall be to attend at the bank in rotation and have general supervision of the business of the corporation and its employees.

(c) Monthly attending committees, embracing all the members of the board, except the president and two vice-presidents, may be appointed, each of which committees shall in rotation have a general charge and supervision of the business of the institution and its employees.

EXECUTIVE COMMITTEE

An executive committee consisting of three members shall be appointed annually who shall have general oversight of the affairs of the bank. They shall ascertain the balances due from other banks, and where deposited and on what terms, and report monthly. They shall perform all duties of an executive nature that shall necessitate action during the recess of the board and report at the next meeting.

NOMINATING COMMITTEE

A nominating committee of three members shall present all names of proposed trustees and officers, and no action shall be taken on any name for any position until it shall have been favorably reported to the board by the nominating committee.

RECORDS TO BE KEPT

Each of said committees shall keep, in books for that purpose, a full record of its proceedings, which shall be signed by the members of said committee, respectively, and be reported in full at each meeting of the board, and at any special meetings, when called for by a vote of the board.

EMPLOYEES

All employees shall hold office at the pleasure of the board.

Oath of Office. All employees before entering upon their respective duties shall take the following oath of office:

I do solemnly swear (or affirm) that I will, to the best of my abilities, perform all such duties and services as shall be given me in charge by virtue of my appointment to the office of of the Savings Institution of the city of New York; and that I will faithfully apply and protect the funds and property of the institution, and account for the same, under the control of the president or board of trustees. (New York.)

DUTY OF ASSISTANTS

It shall be the duty of the assistants appointed by the board, to attend at all times when the bank is open, at the banking-house, and perform such services as may be required of them under the superintendence of the president and treasurer. (New York.)

TO GIVE BONDS

The several officers and clerks receiving salaries from the board shall, before entering upon their respective duties, execute, severally, a bond or bonds in such penal sums, and with such surety as may be required by the board, conditioned for the faithful performance of the duties assigned them, and for the security of any funds of the institution which may come into their hands, respectively, such surety to be approved by the funding committee. (New York.)

No trustee shall become surety or go on the bonds of officers or employees. (New York.)

The surety bonds of officers and employees shall be in custody of the president. (New York.)

PRIVACY OF ACCOUNTS

All transactions between the depositors and the bank shall be strictly confidential, and no information in regard to the account of any depositor with the bank shall be revealed to a third party, except when ordered by the court, or when requested by the depositor, or when directed by the president or treasurer. (Conn.)

All business confidential. No officer or employee shall disclose anything in relation to the account of any person except in obedience to the order of a competent court.

SALARIES

No motion to change the salary of any officer or employee of the bank shall be entertained unless notice of the proposed change shall have been given at a previous meeting.

The clerks of the bank and janitor of the bank building shall be under the immediate control and supervision of the president and treasurer.

LIMIT OF DEPOSITS

(a) Deposits in sums from ten cents and upwards to \$7,500 will be received, but in order to retain the pass book, a balance of one dollar must remain on deposit. No interest will be allowed on accounts where the balance is less than five dollars. (New York.)

(b) Deposits of five dollars and upwards to the amount of \$7,500 may be received *from one individual.* (New York.)

But in no case will *fractional parts of a dollar* be received on deposit. (New York.)

(c) Deposits, *to the amount allowed by law*, may be received on *one account*, and all receipts and payments shall be in specie or in bills taken in deposit by the incorporated banks of the City of New York at par. But no *new account* shall be opened with a deposit of *less than five dollars.*

DEPOSITORS MUST SUBSCRIBE TO THE BY-LAWS

(a) Each depositor on making his or her first deposit shall be required to subscribe his or her assent and agreement to be governed by the by-laws and regulations of the bank. (New York.)

(b) Upon making a deposit, the depositor shall be required to subscribe his name, signifying his assent to the regulations and by-laws of the bank, and to all *such alterations thereof as may be duly made.* (Maine.)

(c) On making the first deposit, depositors must subscribe to the by-laws, and the *acceptance of the book is such assent.*

(d) *If for any reason the depositor does not subscribe to the by-laws in writing, he will be bound unless he returns the pass book or withdraws the money within ten days.* (New York.)

(e) *But if this (the signature) has not been made at the time of making the first deposit, the fact of making the first deposit shall of itself be regarded as intended by the depositor as signifying his assent and agreement to the said by-laws and regulations and shall be deemed sufficient evidence of such assent.* (New York.)

(f) Every person desirous of becoming a depositor shall, at the time of making the first deposit, receive a deposit book containing the following rules and regulations printed therein; and *by receiving the book* the depositor shall be considered as agreeing to be bound by the by-laws. One book only will be given out in the same name. (Penna.)

(g) Depositors evidence their consent to the rules and regulations herein contained *by acceptance of this book.* (Conn.)

(h) If the depositor is unable to write, or is *not present at the time of opening the account*, or for *any other reason* is unable to make such subscription to the by-laws, the *acceptance of the pass book* shall be taken and be deemed to be an agreement by the depositor to be bound by and subject to the by-laws and rules as they then exist or may thereafter be lawfully altered or amended. And any agreement or contract or condition inconsistent with the by-laws of the institution which may be alleged to have been made with any such person making a deposit shall be void unless the same shall have been in writing and in the pass book and been signed by some duly authorized officer of the institution before its delivery. (New York.)

(i) Depositors on making their first deposit shall subscribe to the by-laws and give *such information* touching themselves as shall enable the officers to identify the parties whenever said parties may wish to withdraw the funds. (New York.)

(j) Deposits of one dollar and upward not exceeding \$7,500 may be received from any one depositor. On making the first deposit, the depositor must appear at the office of the savings bank and declare by his signature his assent to the rules and regulations of the bank. The depositor shall receive a pass book in which all deposits and withdrawals are to be recorded, and *it shall be the duty of each depositor, before leaving the bank, to examine the entries in his or her pass book, or the bank will not be responsible for any claim afterwards made.*

AGREEMENTS INVALID

No employee of this bank other than the president or treasurer *shall make any agreement*, oral or written, with any depositor, involving this bank, beyond the ordinary

entries made in the pass books of depositors inclusive of entries creating joint accounts and trust accounts.

DEPOSITS—How ENTERED

(a) All deposits shall be regularly entered in the books of the bank, and also in a book to be furnished to the depositor, which shall be kept by him or her as a voucher for his or her deposits.

(b) No money shall be received, nor shall any money be paid out, *except at the bank*, in the presence of either the president, treasurer, secretary, a trustee, or the teller or other assistants.

(c) Deposits shall be regularly entered in the books of the bank and *posted daily * * ** and the *amount written in full length and in figures and signed by an officer of the bank.* (North Carolina.)

(d) Deposits shall be entered in the book of the depositor who shall then *examine the same.*

OTHER DEPOSITS

Special deposits with prescribed conditions may be made, which conditions shall be entered upon the books of the corporation and of the depositor; and the money thus deposited shall in no case be withdrawn, except in conformity with those conditions. (Maine.) (New York cannot accept special deposits other than joint, trust, society and court accounts.)

Any depositor may designate at the time of making a deposit the period for which he desires the deposit to remain in the bank, and persons for whose benefit the same is made; and such depositor and his or her legal representatives, shall be bound by such conditions voluntarily annexed to the deposit; and in case of a dissolution of the corporation, the same shall be paid to the person legally authorized to receive it. (Maine.)

MISCELLANEOUS PROVISIONS CONCERNING DEPOSITS

When money is brought to deposit, it must be carefully counted, laid straight, all one way, and the teller informed of the amount. (Penns.)

Checks, or drafts, when credited as cash, will only be

received for account of the depositor, and at the depositor's risk, and every depositor will be held responsible as an indorser upon all checks, or drafts, so deposited. The *number of the deposit book* must be noted on all checks, or drafts, deposited for credit therein. (New York.)

Deposits will be received subject to such conditions as may be stipulated by the treasurer.

Each depositor is required to sign a certificate of deposit, of which the following is a copy: "We, the undersigned, have (on the day designated by the date) deposited in the Portsmouth Savings Bank, the amount set against our signatures, for the person in whose name a book of deposit has been issued, which deposit has been entered on said book; and *the whole or any portion of this deposit may be withdrawn by the person who may present the said book, and give a receipt therefor to the bank.* And we hereby signify our assent to the regulations and by-laws of this institution." (Maine.)

All deposits shall be made in specie, or funds current at the banks in the city of Utica, and all payments shall be made in like funds. (New York.)

All deposits must be made in the banking rooms to be valid.

The first deposit must remain at least thirty days before withdrawal will be permitted. (New York.)

All checks for deposit must remain thirty days.

WITHDRAWALS—NOTICE OF WITHDRAWAL

(a) This institution will as a rule pay all depositors on demand, but *shall not be liable to pay* any money to depositors except on sixty days' previous notice in writing to the treasurer. The intent of this rule being solely to protect the institution and its depositors in times of public excitement and danger. (New York.)

(b) No money shall be withdrawn as a matter of right without ninety days' previous notice to the bank, in writing, of the intention to withdraw it; *as a matter of indulgence*, however, the officers of the bank may allow moneys to be withdrawn without such notice on any day for the reception and payment of deposits without thereby waiving the right of the bank to such notice, and time of payment. (New York.)

(c) No depositor shall be entitled as a matter of right to withdraw *more than \$100* without giving such time notice to the treasurer of his purpose to make such draft as may have been at the time decided by the trustees as expedient, of not less than ten nor more than sixty days.

This rule is enacted for prudential reasons to protect the interests of depositors. As a matter of fact the treasurer *has always paid depositors on demand*, without requiring the notice—without prejudice, however, to his right to require it, if, in the judgment of the officers of the bank, the occasion calls for it.

(d) Notice of withdrawal will be required as follows:

For sums of \$25 and less, 10 days.

For sums of \$25 to \$100, 30 days.

For sums over \$100, 60 days.

(e) *Ten days' notice* of withdrawal may be required for all sums. On amounts of \$100 and over, two months' notice will be required. The trustees will keep a fund on hand sufficient to meet all ordinary demands, and the notice will be enforced only to protect depositors. (Ohio.)

(f) On all sums from \$25 to \$500 sixty days' notice will be required. When the notice of withdrawal is given, *the interest will cease* from the first day of the quarter in which notice is given. (Minn.)

Interest due is excepted from withdrawal notice.

(g) No money shall be drawn except on two weeks' notice, and if the sum proposed to be drawn exceed two hundred dollars, one week's further notice must be given for every additional hundred dollars or fractional part thereof; and for all sums over sixteen hundred dollars, four months' notice will be required. Notice will not be received at one time for the drawing of more than one amount, and a second notice shall be considered as waiving the pending notice. Interest, however, will be paid on demand at any time within six months after the dividend has been declared. On giving notice, the book must be left at the bank and the treasurer informed how much money is wanted; and if the money be not drawn within ten days after the time for drawing has passed, the notice will be considered as withdrawn, and a new notice will be required. (Penna.)

(h) Withdrawals may be made (1) *personally*, or (2) by *order in writing* (if the bank have the depositor's signature) or (3) by *letters of attorney* duly authenticated.

In case of death, payment will be made to the (4) legal representative. (New York.)

WITHDRAWALS—HOW MADE

(a) Depositors alone shall be responsible for the safe keeping of their books. And all payments made to persons producing the deposit books, *whether with or without an order or letter of attorney*, purporting to be signed by the depositor, shall be deemed good and valid payments to depositors respectively and shall fully discharge the institution therefrom, unless notice of the death of the depositor shall have been given to it. (New York.)

(b) Payment *may be made* to depositors in *person*, or to their *attorneys*, or on the *written order of either of them*; and *shall be deemed good and valid* when made to *any one* presenting the pass book, or a duplicate thereof. (New York.)

(c) Depositors must see that their bank books are neither lost nor stolen. The *bank will use all care in the payment of moneys*, that the rightful owners shall receive them; yet sums paid in good faith to a person presenting the bank book, and using the depositor's signature, shall be deemed valid, and shall exonerate the bank to the amount paid.

(d) The bank will not be responsible to any depositor for frauds committed on the bank by producing the pass book and drawing money without the knowledge or consent of the owner.

(e) As officers of the institution may be unable to identify every depositor transacting business at the office, the institution will not be responsible for loss sustained where payment has been made upon the presentation of the deposit book. In all cases a payment upon presentation of a deposit book shall be a discharge to the corporation for the amount so paid; *provided*, upon satisfactory proof of the loss or destruction of a book, the board of investment may order the payment of the amount due without the book; *and provided also*, if they think proper, they may require a bond to indemnify the institution therefor.

(f) *The possession of the pass book* shall be sufficient authority to the bank to warrant any payment made and entered in it, and all payments made to persons producing

the pass book shall be deemed good and valid payments to the depositors respectively. The bank, however, *will always endeavor to prevent frauds on the depositors.*

MISCELLANEOUS PROVISIONS CONCERNING WITHDRAWALS

No payments of less than five dollars will be made *unless to close the account.*

Persons *unable to write* must be identified.

And if drawn by order the bearer of the order *shall have the right to sign the name of the depositor to the receipt* and the receipt shall be as binding as though signed by the depositor. (New York.)

The secretary *shall endeavor to prevent fraud* but payments made to persons presenting the pass book shall be deemed valid payments to depositors.

The bank *will use its best efforts to prevent fraud* * *.

Withdrawals by *attorneys in fact*, and orders upon the society for payments in withdrawal, can *only be made upon blanks provided by the society.*

No deposit will be paid from the fifteenth day of February to the first day of March, and from the fifteenth day of August to the first day of September, and no interest will be allowed on any sums withdrawn for the time which may have elapsed since the last dividend. (Conn.)

The treasurer is authorized to pay depositors the whole or any part of the amount of their deposits and dividends, at any time when called for, *reserving, however, the right*, to the board of investment, should the interests of the institution require, to instruct the treasurer to pay only on the first Monday of February, May, August and November, and to require two weeks' notice in writing, of the intention to withdraw. (Rhode Island.)

DRAFTS BY MAIL

Drafts upon the bank, sent by mail or otherwise, will not be entitled to payment unless the depositor's book is produced and the depositor sends by letter, accompanying the draft, *correct answers to the questions asked* when the deposit was made in the bank. Upon payment in current funds in such manner as the said depositor may in such draft or letter direct all responsibility therefor on the part of the bank shall cease.

JOINT AND TRUST ACCOUNTS

(a) Deposits in the name of one person as trustee for another may be withdrawn by such trustee, and in case of death, if no written notice of the existence and terms of a valid trust has been given to the bank, the *cestui que trust* may withdraw the deposit. (Conn.)

(b) Every deposit made by one person for the benefit of another person shall be expressed to be "*in trust*"; and no deposit shall be received, or be expressed to be received, from one person "*by*" another person, or by one person "*for*" another person. The trustee, or his legal representative or successor, shall alone be entitled to receive payment, and his, or their, receipt, with the production of the deposit book, will be a full discharge to the society. (Penna.)

(c) When an account stands in the names of two persons as co-depositors who have authorized the addition of the words "to be drawn by either or the survivor," or other words to the same effect, then payment to either depositor shall be a full and valid discharge to the bank whether the other co-depositor be living or dead. (New York.)

(d) No account shall be opened in the names of more than *one person* except by a co-partnership, trustees, or *man and wife*. Money will not be paid to agent or upon power of attorney without proof that *the principal is living*.

MARRIED WOMEN AND MINORS

Deposits of married women *cannot be drawn out by their husbands.*

Married women shall be allowed to deposit and withdraw *as if unmarried.*

Deposits made by married women or minors cannot be drawn by *husband, father or guardian.*

Any deposit made in the name of a minor, either by himself or by another, for his benefit, may be paid to such minor without the intervention of a guardian and any such payment shall be as valid and effectual as though made to a person of full age.

In case of deposits made by parent *for infant*, payment may be made to *either parent or child* on production of pass book.

Money may be deposited by any person for the benefit of a minor and not to be withdrawn until the minor becomes of age *if it is so ordered at the time of making the deposit.* (Ohio.)

Moneys deposited by or in the name of a minor may be repaid to such minor (although no guardian shall have been appointed for him), on his personal receipt for same, but no money deposited by one person "in trust" for another shall be paid to the person for whom it is in trust, during the lifetime of the trustee, but after the death of said trustee it may be so paid. Deposits, when made in more than one name "payable to either or survivor" may be paid to either of the depositors named, whether the other is living or not.

LOST PASS BOOKS

(a) If a savings bank book be accidentally destroyed or lost, and the owner makes *affidavit of that fact* and of its circumstances, and *gives a receipt* for money drawn on such account, such money will be paid unless the case be such as to afford *reasonable ground of suspicion or fraud.* In all cases of loss or destruction of any savings bank book, any officer of the bank *may require a bond*, with sufficient sureties, conditioned to indemnify the savings bank from loss by reason of making such payments, before the same shall be made. (New York.)

(b) If a pass book is lost, *the depositor should immediately notify the bank*, and if after a reasonable time the book is not found, and the *balance thereon is not over ten dollars*, a receipt shall be taken for the balance, stating that the pass book is lost. If the balance due on the book *is more than ten dollars* and not exceeding *fifty dollars*, the depositor shall make an affidavit as to the loss of the book and give a receipt for the balance. If the balance due is *more than fifty dollars*, the depositor shall execute to the bank a *bond of indemnity* for twice the amount of said balance, with sureties to be approved by the officers of the bank. In all cases of lost books, the accounts shall be closed, and the balance, if not withdrawn, shall be transferred to a new account, under another number. (New York.)

(c) If a depositor shall lose his, or her, deposit book, immediate notice of the loss must be given at the office

from whence the book was issued, and a new book will be issued to the depositor *upon satisfactory proof of identity*, and *after the depositor shall have advertised the loss of the book in one daily newspaper published in the City of Philadelphia*, and after the depositor shall have given to the Society *satisfactory indemnity* against any loss to the Society in respect of the book so lost. (Penn.)

(d) In case of the loss of the pass book, notice thereof shall be given at the depositor's expense, *at least once a week for four successive weeks*, in one or more of the daily newspapers of the City of St. Paul. The pass book may then be considered void and of no value, and after two weeks have passed from the last advertisement, the bank may make payments without having the pass book produced. *Adequate indemnity* must, however, be furnished the bank before payments are made. (Minn.)

(e) In case of the loss of a pass book, notice thereof shall be given, at the depositor's expense, once a week for two consecutive weeks, in one or more of the daily newspapers of the City of New York. The pass book may then be considered void and of no value, and the bank may, after two weeks have passed from the last advertisement, make payments without having the pass book produced. The bank may, moreover, demand satisfactory security. (New York.)

(f) The funding committee may order duplicate books to be issued for lost books, *under suitable regulations* for the protection of the bank against frauds and losses thereby. (New York.)

PASS BOOK REGULATIONS

Books must be presented at the bank at least once each year, for entry of interest.

Books must be surrendered when all the money is withdrawn.

Keep this book in good order; do not fold or roll it. If lost or mislaid, give *immediate notice* to the bank.

TRANSFER OF PASS BOOKS

(a) No transfer of pass books shall be binding upon the bank *unless approved by the treasurer* and such approval endorsed on the pass book.

(b) *No transfer or assignment of a deposit, or any part thereof, will be recognized by the society.* (Ohio.)

(c) Transfer of pass books shall only be valid when entered *on the books of the bank and on the pass book*, which must be presented for that purpose by the original depositor, accompanied by the person to whom the depositor desires to make the transfer.

(d) *No assignment of such bank book shall be made to any other person. To render any transfer of such money effectual, the money must be withdrawn by depositor and receipted for in the regular way.*

(e) *No gift, assignment, or transfer of the whole, or any part, of the amount due a depositor shall be valid, unless such gift, assignment, or transfer be made in writing signed by the depositor and duly acknowledged or proved before an officer legally authorized to take acknowledgements or proofs of deeds. No gift in contemplation of death shall be made in any such manner as to prevent the bank from discharging itself of all liability by payment to the executor or administrator of the deceased depositor.*

(f) No assignment of any depositor's account will be recognized by this bank *unless notice in writing of the same is given the bank and its assent thereto entered in depositor's book.* (Washington.)

UNDESIRABLE ACCOUNTS

(a) *Under direction of the finance committee, any account may be closed or deposits refused, by giving one month's notice of the same.* (Minn.)

(b) *Any account may be closed by giving one month's notice, after which interest ceases.* (New York.)

(c) *Deposits may be returned at the pleasure of the board.*

(d) *The trustees shall be at liberty to refuse to receive any deposit at their pleasure.*

(e) The officers of the bank are authorized to close the account, or to refuse to receive the deposits of *any individual*, whenever they may deem it expedient, and the board of trustees shall be at liberty to return the amount of all or any part of the deposits, on giving one month's previous notice of their intention to do so. All notices relating to deposits or depositors, published daily for one

week, by order of the board of trustees, in one or more of the public newspapers printed in the Borough of Brooklyn, shall be deemed and taken for all purposes as actual notice to each depositor. (New York.)

(f) This bank may refuse to receive a deposit and may return the whole or any part of any deposit. The interest on any deposit will cease upon giving to the depositor personal notice or such other notice as may be provided for by the rules and regulations of this bank. *The bank may retain any pass book and issue a new pass book in place thereof; but in such case the pass book so retained shall not be destroyed, nor shall any alteration be made therein, but the same shall be preserved and be subject to the reasonable inspection of any person interested therein.* (New York.)

DORMANT ACCOUNTS

(a) All accounts on which no deposit or draft shall have been made for *twenty-two years* shall cease to be entitled to any further interest after twenty-two years from the last deposit or draft. (New York.)

(b) All accounts on which no deposit or draft shall have been made for *twenty years* shall cease to draw interest, *except endowments for children and others.*

(c) All accounts on which no deposit or draft shall have been made for *six years* shall be *suspended.*

(d) *After ten years * * * shall cease to be entitled to interest unless by special agreement * * **

(e) Accounts of depositors whose pass books have been presented at the bank for the entry of interest within the period of twenty-two years, shall *not* be deemed dormant.

(f) The board of trustees *may discontinue interest* on accounts of depositors on which no deposit or draft has been made for twenty successive years, nor shall any dividend be declared or any interest be credited upon any *dormant account*; that is, an account in which no entry of deposit or withdrawal shall have been made for a period of twenty-two successive years; nor shall the deposit or withdrawal of any amount from such account after the expiration of twenty-two successive years *require the credit of any interest* for any period of time *prior* to the date at which such entry or withdrawal takes place; but where

such deposit or withdrawal is made *after the expiration of a period of twenty-two successive years*, dividends shall be declared on and interest shall be credited to the account subject to all the provisions of these by-laws, in the same way as if such account had been opened at the date at which such last mentioned deposit or withdrawal may be made. (New York.)

WHEN INTEREST IS TO BE CREDITED

(a) The board of trustees shall, *by resolution*, order to be credited to depositors on the first days of January and July in each and every year, payable to them on or *after the twentieth day* of said month (unless the same shall fall on Sunday or a legal holiday, in which case, then the next succeeding day on which the bank shall be open for the transaction of business) such rate of interest, in conformity with law, *as the earnings of the bank may justify*, on all sums of five dollars and upwards, which shall have been on deposit for the *six months* next preceding the period at which such interest shall be credited; and the same rate of interest on such sums, as shall in like manner have remained on deposit for *three months* next previous to the aforesaid time; and interest may also be allowed for the full terms above named, on deposits made not later than the *tenth day* of January and July or the *third day* of April or October; but *no interest* shall be allowed on any sum withdrawn previous to the first day of January and July, for the period which shall have elapsed since the last dividend; nor shall interest be paid on the fractional parts of a dollar. (New York.)

(b) The board of trustees will semi-annually *apportion* to all depositors a dividend of all the earnings of the institution; *reserving only such portion* as in their judgment prudent management would require as a *guarantee fund*, as provided by statute. Such dividends shall be payable to depositors on the first Monday of April and October in each year. In making such dividends of net earnings, the trustees *reserve the right to discriminate* in favor of depositors of sums not exceeding one thousand dollars, by paying a rate of dividend not exceeding one per cent. per annum higher than to depositors of larger sums.

(c) All moneys deposited on the *first day* of *any*

month shall draw interest from the date of such deposit. All deposits made during *any month after the first day thereof* shall draw interest from the first day of the *succeeding month*, excepting that deposits may be taken during the *first ten days of April and October and during the first three days of other months*, to draw interest from the first days of those months respectively.

(d) At whatever time money may be drawn out, interest thereon shall be credited only to the *last previous dividend day*. All interest not drawn out will be added to the principal, and will draw interest from date of the dividend crediting it. (New York.)

(e) Interest is estimated by *calendar months*. No interest is allowed upon any sum withdrawn before the end of the month following the date of its deposit excepting deposits made on or before the *twenty-first day* of January, or on or before the *fifth day* of any other month, which will receive interest from the first day of the month in which such deposit is made; and excepting also, that after a deposit has remained *undrawn more than one calendar month*, and is withdrawn on or after the *sixteenth day*, but before the *last day*, of the month *following*, it will receive interest for *one month and a half*; and if the deposit is not withdrawn before the first day of the next month, it will receive interest to the day preceding such first day. (Penn.)

(f) After the first day of February in each year, *every deposit book shall be presented at the office*, or agency, from whence issued, and when so presented, interest as accrued to the thirty-first day of December of the preceding year will, at the depositor's option, either be credited as an addition to the principal, or will be paid to the depositor. (Penn.)

(g) *All dividends not called for within three months after being declared* shall be added to the principal of the depositor, and draw interest from the time they were declared at the same rate as the principal. (New York.)

(h) Interest shall be credited for *such time as it shall have been on deposit*, but *no interest* shall be paid for *fractional parts of a month*, nor for *fractional parts of a dollar*.

(i) No interest will be entered upon the book until *after the first days of February and August*.

(j) Interest not withdrawn will be added to the principal.

(k) Interest will be forfeited if money is withdrawn before the first days of January and July.

(l) Depositors shall share their just proportion of all dividends that may be declared. (Conn.)

ACCOUNTS OF DECEASED PERSONS

(a) Upon the death of any depositor his deposit shall be paid to his *legal representative*, but if the sum shall not exceed *one hundred dollars* the same may be paid to the husband, widow or next of kin at the discretion of the treasurer, without any letter of administration, and such payment shall discharge the corporation. (Mass.)

(b) *The amount due on any account shall be payable to the depositor, his or her order, or his or her administrator, executor, or assign, except where special arrangements shall be made otherwise by the depositor, or by the terms of any order of court.* In the event of the death of any depositor, the bank may, if it sees fit, pay any sum to the credit of such depositor *direct to his or her heirs*, without requiring the appointment of any administrator or executor, and such payment shall discharge the bank; but *before making such payment*, the bank may require from such heir or heirs such indemnity as the bank may deem satisfactory. (Washington.)

(c) *If any depositor shall die without heirs, any balance to the credit of such depositor not otherwise disposed of by decedent shall not escheat to the State, but shall belong to the bank, and be carried into its reserve for the greater protection and security of the savings depositors of the bank.* (Washington.)

(d) Upon the death of any depositor, the money standing to his credit shall be paid to his legatee, or heir-at-law, or legal representative *conformably to the laws of the State*; and, if the sum shall be *under fifty dollars*, the same may be paid to the legatee, or next of kin, or legal representative, without the expense of any probate of will or letter of administration, and it is agreed that such payment shall discharge the corporation. (Mass.)

(e) After the decease of any depositor and on notice to the institution of said decease the amount standing to the credit of deceased shall be *payable to his or her legal representative*, except in the case of an account *in trust for another*; in the event of the death of the trustee, the total

amount to the credit of the deceased shall be payable to the person for whom the deposit was made—unless other further notice of the existence and terms of a *legal and valid trust* shall have been given in writing to the institution—and in the event of the death of the trustee and the person for whom said deposit was made, the amount thereof shall be payable to the legal representative of such person.

(f) Any depositor, with the consent of the board of trustees, may designate in writing the time the sum deposited by him shall remain in the bank and the person to whom the deposit and dividends thereon shall be payable,* and may prescribe any other special conditions of deposit, which directions and conditions shall be observed by the bank and shall be binding on the depositor and his legal representatives. (Maine.)

(g) Upon the death of any depositor, should the amount standing to the credit of such depositor be less than one hundred dollars, it may be paid to the legal heirs without expense of probate, and it is agreed such payment shall discharge the corporation. (Maine.)

(h) Any balance to the credit of deceased depositors, *not exceeding two hundred and fifty dollars*, may in the discretion of the president or treasurer be paid to his, or her, next of kin, *without requiring them to take out letters of administration*, upon delivery to the bank of an *indemnity bond*, the form and amount of such bond to be approved by the president or treasurer of the bank. (New York.)

(i) *A book shall be kept at each office*, or agency, of the society, in which every depositor shall be at liberty to appoint some person, or persons, to whom, *in the event of his, or her death*, the money shall be paid, if not otherwise disposed of by will. (Penn.)

SOCIETY ACCOUNTS

(a) Deposits may be made by any person as trustee for the benefit of another, or of any *unincorporated society or association*, at the discretion of the treasurer. In all such cases the deposit shall be made in the name of the trustee “in trust for” such person, society or association. Said trustee, or his successor, shall alone be entitled to receive

*In case of death.

payments, and his receipt, with the production of the book, shall be a sufficient discharge. Provided, however, that in case of deposits for the benefit of another person, the corporation may, at its discretion, by a vote of the executive committee, make payment to such person on the production of the book, which payment shall also be a sufficient discharge. And provided, further, that in case of deposits for the benefit of any unincorporated society or association, *a certificate signed by the secretary* and under the seal of such society or association, that a new trustee has been appointed, shall be sufficient evidence of such appointment, and a payment to such new trustee shall be a sufficient discharge. (Penn.)

(b) Deposits by, or on behalf of, any unincorporated society, or association, shall be made only in the name of some person, or persons, "*in trust for*" such society or association; and in every such case, the trustee, or trustees, only will be entitled to receive payment, and his, or their, receipt, with the production of the deposit book, will be a full discharge to the society. If the society, or association, in trust for whom the deposit has been made shall appoint a new trustee, or trustees, such appointment *must be made according to law*, and *written notice thereof filed with the society.* (Penn.)

CHECKS ON DEPOSITORY BANKS

(a) All checks shall be signed by the treasurer or president and countersigned *by a teller.*

(b) All checks shall be drawn by the *president or treasurer or secretary* and every check shall be made payable to or specialized by endorsement to the *parties entitled to receive the same.*

(c) All checks, drafts or orders for the payment of moneys by the institution, shall be drawn by the *treasurer* and *countersigned by the president*, and made payable to the order of the person in whose favor the same may be drawn. (New York.)

(d) All checks or drafts for the sum of \$3,500 or over shall be signed by two of the following officers, viz.: The president, the treasurer and the assistant treasurer. In case, however, of the absence from the city or disqualification of the above officers, or any of them, the board of trustees, or, during the interval between the meetings of such

board, the executive committee may, by resolution duly passed and entered in the minutes, temporarily authorize other officials or employees of the bank to so sign. (New York.)

(e) All checks shall be drawn by the treasurer or secretary, countersigned by the president; or, in case of his absence, by a vice-president, or by a trustee. *In the absence of the treasurer and secretary, checks may be drawn by a member of the funding committee, and countersigned by the president, vice-president or a trustee.* All checks when signed shall be made payable to the order of the party entitled to receive the money, *except that in case of mortgage loans, the check may be made payable to the order of the attorney of the bank.*

EXAMINATIONS AND AUDITS

(a) The judges of the District Court for the County of Allegheny may, at any time, on the application of two trustees, or three depositors in said corporation, and on reasonable cause shown therefor, to the satisfaction of said Court, appoint two or more persons to examine into the investments thereof, and its affairs and business generally. The books, papers and business of said corporation shall be open and subject to the examination of such persons; and the trustees, officers and clerks thereof, or any other person, may be examined on oath by such persons; and the said Court may confer such other powers on the persons so appointed as it may consider necessary for more thorough and perfect protection. (Penn.)

(b) *The trustees shall have the entire supervision and management of the affairs of the institution, except as otherwise provided by these by-laws; they shall, in the exercise of their best judgment, see that the funds of the corporation are safely invested according to law. It shall be their duty at least twice each year to make an examination of the affairs of the bank and of its assets and settle the account of the treasurer.* (New York.)

(c) *The auditing committee, consisting of three members, shall examine all funds, securities and property of the institution monthly, or oftener, at the option of the committee; they shall have power to employ experts to make or assist in making examinations, and shall report at each regular meeting of the board of managers.* (New York.)

COMMON SEAL

(a) There shall be a common seal, to be kept in the bank under the charge of the president, and to be used only by authority of the board of trustees, or as hereinafter provided.

(b) The corporate seal of this bank shall consist of a circular design having in the center a picture of the present banking house with the word "Economy" below the same, and in a circular band about said picture or design the following inscription: "Albany Savings Bank—Incorporated 1820." The above to be cut in metal in such a way as to give a clear impression of the entire design upon any instrument to which it may be affixed. (New York.)

MISCELLANEOUS PROVISIONS

EXPENSES AND SUPPLIES

No bill for expenses or supplies shall be paid unless in pursuance of a resolution of the board, until the same shall have been *audited* by the *president or treasurer*.

TAX RECEIPTS

Receipts for taxes and assessments upon property mortgaged to the bank must be shown at the time of payment of the *December interest*.

SECURITIES OF THE BANK

The securities of the bank shall be kept under the charge of the president, treasurer and secretary, in the safe or vault, and access to the same shall *only* be had by the president, the treasurer, the secretary, the examining committee and the funding committee, except by *special vote* of the board of trustees. (New York.)

PUBLICATION OF BY-LAWS AND WHERE OBTAINED

The by-laws and regulations, defining the rights and duties of the depositors, shall be *exhibited in the bank and copies* thereof may be obtained from any of the officers of the bank, and such by-laws shall be incorporated in the pass book of the depositor. *Whenever any alteration or amend-*

ment to these by-laws shall be made which in any way affects the *rights of the depositors*, the bank shall publish in one or more of the daily newspapers of the Borough of Brooklyn a notice thereof, and state that a copy of the by-laws as amended *can be obtained by calling at the office of the bank.* (New York.)

TRANSFERS OF STOCKS AND BONDS, ETC.

(a) *All transfers of stocks, releases, satisfactions, assignments, etc., shall be signed by the president and countersigned by the secretary, but no transfer beyond \$5,000 shall be made without authority of the board of trustees.*

(b) *No transfer of securities, or assignment of any mortgage shall be made except by authority of the board of trustees, regularly recorded on the minutes of the bank. Such transfers shall be made by the president or one of the vice-presidents.*

TRANSFER OF MORTGAGES

(a) *Every satisfaction piece or assignment of any mortgage or security held by this bank, every conveyance of its real estate, release of any part of any real estate covered by a mortgage held by it and every extension or modification of any mortgage held by it, shall be executed by either the president or treasurer, and by no other officer or employee.*

(b) *In no case shall a mortgage be assigned unless by special authority of the board of trustees.*

INVESTMENTS

(a) *The investing committee shall have the disposal of all the money of the bank and make investments. No loan shall be made on property but such as is actually productive, or which it is estimated by the committee will yield, exclusive of all other charges, an amount annually above the interest on the money loaned.* (North Carolina.)

(b) *No investment shall be made without the consent of the president and the objection of any one of the committee present shall prevent the investment.* (North Carolina.)

(c) *No loan that has been rejected shall be reconsidered without the consent of the trustees objecting thereto.* (New York.)

DEPOSITS IN OTHER BANKS

- (a) Deposits in other institutions must be made by vote of a *majority of the board.*
- (b) All deposits in other banks shall be in the name of *the bank.*

APPLICATIONS FOR LOANS

All applications for loans on real estate shall be in writing, and shall state the location, boundaries and value of the same, together with such other information as shall enable the board to form a reasonable estimate of its value; and all expense of searches, drawing of papers, and examination of premises, shall be borne by the party asking the loan.

REPEAL OF EXISTING BY-LAWS AND AMENDMENTS.

- (a) Amendments shall be binding from the time of their adoption.
- (b) Amendments shall be binding when published.
- (c) No alteration shall be made in the by-laws of the bank unless a notice specifying the proposed alteration shall have been given at the previous regular meeting and entered in the minutes of the board, and a like statement shall be made in the notice mailed to the trustees of the meeting at which the alteration shall be acted upon. (New York.)
- (d) No alteration of these by-laws shall be valid unless at least nine trustees shall vote in favor thereof. For such purpose the motion for such amendments must have been made at a previous stated meeting of the board of trustees and a special written notice of the object of the meeting, at which the same may be considered, shall be given. (New York.)
- (e) No by-laws shall be altered or repealed, nor shall any new by-law be made, unless a majority of the whole number of trustees be present, and the alteration, repeal, or new by-law, as the case may be, shall have been proposed at a previous meeting of the board.
- (f) The trustees may, at any regular meeting, or at a special meeting called for that purpose, make such further regulations or by-laws or alterations of those already made,

as they may deem necessary, provided notice of the intention to alter or enlarge the by-laws shall have been given at the *next preceding regular meeting* of the trustees or at a special meeting called for that purpose; provided, that the said action of the trustees shall be laid before the corporation at its next meeting for its approbation or rejection. All such regulations and by-laws and alterations shall be equally binding on all depositors as those by them subscribed, after the same shall have been duly made known to them, or until their rejection by the corporation.

NOTICE TO DEPOSITORS.

Publication of notices affecting depositors printed in a public newspaper circulating in the vicinity of the bank for *three weeks* consecutively and *posted in the banking room*, shall be notice to all. Or, a letter addressed as per the address given on the signature book, shall be deemed actual notice to each depositor in person.

(Time varies from six days to one month.)

MODEL SET OF BY-LAWS.*

ARTICLE I.

TRUSTEES.

SECTION 1. The board of trustees shall consist of eighteen members.

§ 2. The monthly meeting of the board of trustees shall be held on the third Wednesday of each month.

The annual meeting shall be the regular meeting held in December of each year.

Special meetings may be called by the president, or in his absence by one of the vice-presidents, upon a written request of five or more trustees.

Seven trustees, provided the president or one of the vice-presidents be among the number, shall constitute a quorum for the transaction of business.

§ 3. If any trustee shall fail to attend the meetings of the board, or to perform any of the duties devolving upon him as such trustee, for six successive months without having been previously excused by the board, the office of such trustee shall thereupon immediately become vacant.

§ 4. No election for trustees to fill a vacancy shall be held unless a nomination therefor shall have been made at a regular meeting one month previous to the election, and no person shall be eligible for election as trustee unless his name shall have been so placed in nomination.

ARTICLE II.

ELECTION OF OFFICERS, ETC.

SECTION 1. At the annual meeting there shall be an election by ballot for a president, two or more vice-presidents, and a recording secretary of the board, whose term of office shall commence on the first day of January following.

*By courtesy of the Union Dime Savings Bank, New York.

§ 2. There may be elected at the annual meeting a secretary, treasurer, and also an attorney and counsel, who shall not be a trustee, and such other persons as may be required for the transaction of the business of the bank, who shall hold their offices during the pleasure of the board of trustees.

§ 3. An assistant treasurer, and one or more assistant secretaries, may be elected when in the judgment of the board such election would be to the interest of the bank.

§ 4. A vacancy occurring in any of the aforesaid offices may be filled by the board at any regular meeting or at a special meeting called for the purpose.

ARTICLE III.

POWERS AND DUTIES OF OFFICERS.

SECTION 1. The president shall have general supervision and direction of the business of the bank, subject to such action and regulations as may from time to time be adopted by the board of trustees.

He shall, in conjunction with the treasurer, have charge of the common seal, also of all bonds and mortgages, stocks, securities and other property belonging to or held by the bank.

All satisfactions of mortgages, assignments of mortgages, releases and conveyances, shall be signed by the president, or one of the vice-presidents, and secretary or treasurer.

He shall preside at all meetings of the board of trustees, and appoint all committees, unless otherwise ordered, and shall perform such other duties as usually devolve on the chief executive officer of like institutions.

§ 2. It shall be the duty of the first vice-president to consult and advise with the president in all matters and affairs of the bank, to assist the president in the discharge of his duties, and to perform all the duties of the president in his absence or inability to act, and in concurrence with the president, to have general oversight of all the business and affairs of the bank.

§ 3. It shall be the duty of the second vice-president to perform all the duties devolving upon the first vice-president in his absence or inability to act.

§ 4. In the event of a third vice-president being elected, it shall be his duty to perform all the duties devolving upon the first and second vice-presidents in their absence or inability to act, and perform such other duties as may be assigned him by the board of trustees or the president.

§ 5. It shall be the duty of the recording secretary to keep the minutes of the proceedings of the board of trustees, and perform such other duties as the board may prescribe.

§ 6. It shall be the duty of the secretary to see that account is kept of all moneys deposited or paid out, and the necessary entries made in the books of depositors; to provide and have supervision over all books of account of the bank; to give notice of the meetings of the board, and of all committees to the members thereof, and to present to the board, through the president, a report of the proceedings of the committees, together with a monthly statement of the affairs of the bank, pertaining to his department.

He shall give, or there shall be provided, such security for the faithful performance of his duties as the trustees may from time to time require.

§ 7. It shall be the duty of the treasurer, in conjunction with the secretary, to take charge of all funds remaining at the close of each session of the bank; collect the interest on loans, and all debts due the bank, and deposit the same in such bank or banks or trust companies as shall be designated by the board of trustees; and either the treasurer or the secretary is authorized to receive and receipt for all moneys due and payable to the bank, and to indorse, in its name and on its behalf, for deposit to its credit, any checks, drafts or orders payable to its order.

He shall, under the direction of the president, have the general charge of all papers relating to the real estate, mortgages, and temporary loans, receive and examine all applications for investing the funds of the bank, and present them, with a report in writing, for the approval or rejection of the board.

He shall give, or there shall be provided, such security for the faithful performance of his duties as the trustees may from time to time require, and perform such other duties as may be assigned him by the board of trustees or the president.

When an assistant treasurer and an assistant secretary have been elected,

it shall be their duty when called upon, to assist the treasurer and the secretary in all duties devolving upon them under these by-laws, and in case of the absence of either treasurer or secretary they shall respectively perform the duties of such officer. They shall give bonds as prescribed for the secretary.

§ 8. It shall be the duty of the officers to prepare and submit to the state and city authorities, and the board of trustees, all statements or reports called for by the present law or laws hereafter enacted, applying to the bank, and also at every annual meeting to submit to the board of trustees a complete statement of the affairs and business of the bank.

§ 9. The treasurer, secretary, and such other persons as may be required for the transaction of the business of the bank, shall attend daily at the bank during business hours, and shall be held responsible for the proper care of all moneys and property which shall come into their hands or be intrusted to them. They shall give such security for the faithful performance of their duties as the trustees may from time to time require, and before entering on the duties of their office, respectively, shall take and subscribe the following oath or affirmation:

"I do solemnly swear (or affirm) that I will, to the best of my abilities, perform all such duties and services as shall be given me in charge by virtue of my appointment to the office of.....of the Union Dime Savings Bank of the City of New York; and that I will faithfully apply and protect the funds and property of the bank, and account for the same, under the control of the president or board of trustees."

ARTICLE IV.

COMMITTEES.

SECTION 1. There shall be an investment committee consisting of five members, to include the president, treasurer and three members of the board of trustees, to be elected at the annual meeting in December of each year, the committee to meet or consult as occasion may require as to the purchase or sale of stock and securities.

§ 2. An auditing committee of three trustees shall be elected at the annual meeting in December of each year.

It shall be the duty of the auditing committee to examine the cash funds on hand at least once during each month, to examine all vouchers, and audit all accounts and bills and the expenses of the bank.

§ 3. There shall be elected at the regular monthly meeting in June and December of every year a committee of three, whose duty it shall be to make a thorough examination of the vouchers, books and assets held by the bank, and report to the next regular monthly meeting of trustees the state of the books, and a detailed statement of all the various assets, liabilities and business of the bank. The reports to the Superintendent of the Banking Department of the assets of the bank shall be based upon the examination to be made by the committee on the last days of June and December in each year. A synopsis of the committee's report shall be printed for the use of the bank and its depositors. The committee may employ accountants or such other assistance, in fulfilling its duties, as it may deem advisable or necessary.

§ 4. Each of said committees shall keep a full record of its proceedings, which shall be signed by the members of said committee, respectively, and be reported in full at each meeting of the board, and at any special meetings, when called for by a vote of the board.

ARTICLE V.

BANK SESSIONS.

The bank shall be open daily, except Sundays and holidays. The hours of business shall be as follows: on Mondays from 10 A. M. to 7 P. M.; on Saturdays, from 10 A. M. to 12 M.; on other days, 10 A. M. to 3 P. M., or such other hours as the board of trustees may from time to time designate.

ARTICLE VI.

DEPOSITS AND DEPOSITORS.

The following shall be the regulations under which deposits in this bank shall be made, any of which regulations may be waived in favor of the depositor in exceptional cases by the attending officers only.

SECTION 1. Deposits of one dime and upwards, not exceeding \$7,500, may be received with the consent of the attending officers; but the first deposit shall not be less than one dollar, nor shall the account be kept open with a less balance than one dollar.

§ 2. All deposits shall be regularly entered in the books of the bank and also in the book to be furnished to the depositor, which shall be kept by him as a voucher for his deposit. If checks be received for the accommodation of depositors, nothing shall be paid thereon until thirty days after deposit.

§ 3. On making the first deposit, the depositor shall be required to subscribe to the regulations and by-laws of the bank, and no payment shall be made on the account until the first deposit shall have been held for thirty days.

§ 4. The trustees shall be at liberty to return the whole or any part of the deposits whenever they think proper.

§ 5. Drafts may be made personally, or by the order in writing of the depositor (if the bank has the signature of the party on its signature book), or by letters of attorney, duly authenticated and approved by counsel of the bank; but no person shall have the right to demand any part of his principal or interest without producing his or her bank book, that such payment may be entered therein. The bank shall not be liable to pay any moneys to depositors except on sixty days' previous notice in writing to the secretary or officers in attendance at the bank; but moneys may be voluntarily paid by the bank daily, and without such notice, and without thereby waiving the right of the bank to such notice and time of payment. No less sum than five dollars of the capital of any depositor shall be withdrawn, unless the whole sum deposited be less than that amount, in which case the total amount shall be drawn and the account closed. All moneys received shall be in fundstaken on deposit by the banks of the City of New York, and all payments shall be made in like funds.

§ 6. After the decease of any depositor and on notice to the bank of said decease, the amount standing to the credit of deceased shall be payable to his or her legal representative, except in the case of an account in trust for another; in the event of the death of the trustee, the total amount to the credit of the deceased shall be payable to the person for whom the deposit was made—unless other further notice of the existence and terms of a legal valid trust shall have been given in writing to the bank—and in the event of the death of the trustee and the person for whom said deposit was made, the amount thereof shall be payable to the legal representative of such beneficiary.

§ 7. All notices in relation to deposits or depositors, published by or under the direction of the trustees, in one or more of the daily public newspapers in the City of New York, six days successively, shall be deemed and taken as actual notice to each depositor.

§ 8. Depositors alone shall be responsible for the safekeeping of their books. And all payments made to persons producing the deposit books, whether with or without an order or letter of attorney, purporting to be signed by the depositor, shall be deemed good and valid payments to depositors respectively and shall fully discharge the bank therefrom unless notice of the death of the depositor shall have been given to it.

§ 9. When an account stands in the name of two persons as co-depositors who have authorized the addition thereto of the words "payable to either or to the survivor" or words to the same effect, then payment to either depositor shall be a full discharge to the bank, whether the other co-depositor be living or dead.

§ 10. In case of loss or destruction of the pass book, a new book may be issued after the public has been notified by advertisement, published in such daily newspaper, and for such length of time as the president may direct, calling upon any person having a claim to the missing book to present the same to the bank, or submit to having the pass book declared cancelled or extinguished and a new book issued in lieu thereof; but such advertisement may be dispensed with in the discretion of the president whenever the balance due upon such pass book does not exceed \$200. The depositor or his or her legal representative, shall file with the bank a satisfactory affidavit, showing the loss or destruction of the book.

§ 11. All accounts to which no deposit and on which no draft shall have been made for twenty years in succession, shall be closed; nor shall the amount deposited nor the interest that has accrued thereon, draw any interest thereafter.

ARTICLE VII.

INVESTMENTS AND DISBURSEMENTS.

SECTION 1. All moneys deposited in the bank, except such sums as may be deemed necessary to reserve for immediate purposes, shall be invested in the manner prescribed by the existing acts of the Legislature, or in such other manner as may hereafter be provided by law.

§ 2. All moneys shall be deposited and invested in the name of the Union Dime Savings Bank, and no transfer of securities shall be made without the order of the board of trustees.

§ 3. All checks issued by this bank must be signed by two of the following officers: President, a vice-president, treasurer or secretary, or be signed by any one of the said officers and countersigned by an assistant treasurer or by an assistant secretary or by such alternates as the board of trustees may at any time designate for that purpose.

§ 4. No loan on mortgage shall be made except upon the certificate of a committee of two or more members of the board of trustees certifying to their estimate of the value of the property submitted after a personal examination and appraisement, and authorization by the board.

ARTICLE VIII.

DIVIDENDS.

The board of trustees shall, by resolution, direct interest to be credited to depositors out of the profits of the bank, at such times and at such rates in conformity with the law, on all sums in excess of \$5, and may by resolution, designate days of grace; but no interest dividend shall be credited or paid on balances of less than \$5.

The interest accrued and entered to the credit of depositors on the first day of January, April, July and October, shall be added to the principal from those dates, respectively, the same as an original deposit.

ARTICLE IX.

AMENDMENTS.

The trustees may at any time alter or amend these by-laws, provided such alterations and amendments be not inconsistent with the provisions of the General Savings Bank Law, nor with such amendments as may be made thereto, and be submitted to the board of trustees at least one meeting before the same are passed upon; and they shall not be acted upon except at a meeting when a majority of the whole number of trustees is present.

ORDER OF BUSINESS

1. Reading the minutes of last regular and every subsequent meeting of the board.
2. Reading the reports of secretary and treasurer.
3. Reading the reports of regular and special committees.
4. Dividends to depositors (February, May, August and November).
5. Nominations and elections.
6. Bond and mortgage investments.
7. Other investments.
8. Miscellaneous business.

CHAPTER XI

THE FIRST DEPOSIT

In the preceding chapters we have organized a savings bank of the mutual type, or at least "gone through the motions," and it stands with open doors, its charter neatly framed and hanging in the lobby as evidence that it really is a bank, not only ready, but *authorized* to receive deposits. If this bank was of the stock type similar in this respect to the bank of discount, there would be on hand, or on deposit with its depository banks, the capital stock fund, which would provide an immediate source of income and a working balance with which to do business. But inasmuch as this is a mutual concern, its only funds will be those received from depositors. Its till is empty and the depository banks, reserve agents in name only.

PRELIMINARY WORK.

Preceding the auspicious moment when the first depositor steps to the "new account" window and makes his first deposit, a vast amount of preliminary work has been done, as was shown in a previous chapter. The banking site has been selected with much care as to location, light, tides of travel, prominence, convenience, neighborhood and rental rates. After much discussion with landlords and agents and due consideration of the terms of lease, the contract has been drawn and signed and the quarters are ready for the mechanics and craftsmen. The vaults, counters, fixtures, desks, bookkeeping outfit, stationery and incidentals have all been provided with much labor and careful thought both as to adaptability and cost. The opening announcements have gone forth, both by mail and through the press, and the bank is at last ready to transact business with the public.

RUNNING EXPENSES.

As already stated, the bank has no funds on which to draw for support, and deposits will be its only stock in trade. Being prohibited from using any of the depositors'

money for running expenses, in order to provide for the expenses until such time as the bank can pay its own way, the usual way, and in New York the compulsory way, is for the trustees to subscribe to an "organization fund," out of which the running expenses are met, to be in due time returned to them. This plan is not of modern origin, for as long ago as 1816, when the Philadelphia Savings Fund Society was started, the contingent expenses were provided for by the voluntary contributions of the managers, in the sum of \$10 each, which, of course, were not on a scale commensurate with those of today.

The return of these advances is not a legal obligation on the part of bank, but moral only. But in order to keep the bank solvent at all times, the assets must equal the liabilities, and to use the depositors' money for expenses would be neither wise nor lawful. In the case of one bank in Greater New York, the trustees came forward with upwards of \$15,000 in order to provide the equipment and running expenses for the first year. Another bank was fortunate in obtaining the quarters of a defunct commercial institution at a nominal cost, but even so their expenses for the first six months were over \$6,000. Another was equipped, after a few years, with a handsome home by a syndicate, and paid as remuneration a fair rental on the amount invested. How long it will take a bank of this character to "get on its feet" depends upon the volume of business, the prevailing rates for money, the expenses and management. The Williamsburgh Savings Bank of Brooklyn (1851), repaid such advances together with all expenses and interest to depositors at *six per cent.* at the end of the first eighteen months. As the margin of profit in ordinary times and under usual conditions will not be more than from one to two per cent., a bank having a yearly expense of \$5,000 will need upwards of half a million before it can begin to repay the trustees. One new institution organized just before the panic of 1907 was able to place its money to such good advantage that the margin of profit was nearly two per cent., and it became self-supporting in about one-half the usual time.

HIS MONEY.

In previous chapters the ethics of the savings bank have been thoroughly discussed; the thrift habit advocated, and

the benefits of the savings bank to the individual and to the community presented at length. Having found a man of thrifty habits "looking for a bank and found ours" we will proceed to open a new account with him,—*his first deposit and ours.*

There are three quite plausible reasons why this depositor has made up his mind to open a bank account: First, he knows that as long as the money is in his own keeping he will be tempted to spend it. This is amply demonstrated by common experience in every man's life. Second, he knows that in keeping his own money he takes the chance of fire, theft or loss. This, also, is a self-evident fact, as the daily press will demonstrate. Third, he would like to make his money now work for him as he had to work for it, but he does not know how to begin or where to go to invest it, especially if the sum is small. Just how the savings bank will do this for him he perhaps does not know, nor even, in many instances, care, as long as he gets the interest at the appointed time. He may even have the erroneous notion that his money is laid away in the strong vault, and by some sort of magic grows while protected by ten inches of steel. But at any rate he has made up his mind to take it to a savings bank and he is here, and in opening this account the savings bank has accomplished its fundamental mission, for it has (1) Prevented waste (in making it difficult for him to spend); (2) Prevented loss (by safeguarding against fire and burglars); (3) Afforded profit (by combining his deposit with other money and investing it).

While savings banks cannot and do not have fixed rules as to how the money offered for deposit is arranged, they endeavor to educate their depositors in preparing their deposit so that time will be saved at the window in proving. The bills should be right side up, denominations separate, silver wrapped; but it is safe to say the majority of depositors do not conform to any one of these, and it is often a motley collection of money that is offered. For instance, a truck driver had a huge wad of bills, crumpled into a mass and tucked up his sleeve. The receipts from a fraternal society ball were loose in cigar boxes, requiring two hours to count and wrap, while a farmer had a collection of coins that would have delighted the heart of the numismatist, not a single coin bearing a date less than thirty years past. But

THE FIRST DEPOSIT

191

NEW BEDFORD INSTITUTION
FOR SAVINGS } In acc't with

Peter Fisherman

DATE.	DEPOSITED	DIVIDEND	WITHDRAWN	BALANCE	DATE.	DEPOSITED	DIVIDEND	WITHDRAWN	BALANCE

Johnathan Quaker

No. A 2982

IN ACCOUNT WITH
THE WESTERN SAVING FUND SOCIETY OF PHILADELPHIA

DATE	PAYMENTS		DEPOSITS		DATE	DEPOSITED		WITHDRAWN		BALANCE
	Dollars	Cts	Dollars	Cts		Dollars	Cts	Withdrew	Deposited	

STRAFFORD SAVINGS BANK, In account with
Jethrow Bass, Esq

DATE	Withdrawn	Deposited	Balance	DATE	Withdrawn	Deposited	Balance

Interest will be credited with Red Ink

Folio 15

No 9089

The Oneida County Savings Bank of Rome, in acc't with, Martin Doolittle

DATE	DEPOSITS AND DIVIDENDS	PAYMENTS	BALANCE	Date	Deposited	Withdrawn	Balance

No. 40652
THE DIME SAVINGS BANK OF NORWICH,
In account with
John & Overton or
Mary Overton his wife

1	DEPOSITS	DRAFTS	10
19		19	

THIS BOOK MUST BE PRESENTED AT THE BANK WHEN MONEY IS DEPOSITED OR DRAWN

No 56,890
Dr. GERMANIA SAVINGS BANK, in acc't with
KINGS COUNTY.

The First German
Socie and And Society Cr.

Balance brought forward,							
5							6

he had carefully sorted out all the valuable coins. The savings bank, having for its object the helping of the masses in money matters, must accept all these little inconveniences as part of the day's work, and if half an hour must be given to sorting and counting a deposit, do it as a good philanthropist without a murmur.

WHAT KIND OF AN ACCOUNT?

With money in hand the new depositor is directed to the "new account" or "signature" window, where his pedigree will be taken and pass book issued to him. He will be asked what manner of account he would like to open, and the obliging clerk will explain that the bank opens "joint accounts," "trust accounts," "single name accounts" and "society accounts," and the character of each will be made plain to him.

A single name account will be his sole property during life, and at death the balance due thereon will be paid to his legal representatives. In Pennsylvania, a book is kept in the bank in which the depositor "shall be at liberty to appoint some person or persons to whom, in the event of his or her death, the money shall be paid if not otherwise disposed of by will;" but this is not a common practice, and is not found in the laws of other states. The joint account will be payable to either during life, and in case of death of either, will belong to and paid to the survivor. The trust account will be under the depositor's control, as in the single name account, but in case of death the balance due thereon will belong to and be paid to the beneficiary for whom the account was made. This is the New York rule, and sanctioned by the highest court, and is coming to be quite general in savings bank practice. Ordinarily savings banks will not go beyond the limits of these three forms, except society accounts. Some banks will not accept the latter and some will not take the trust account. Others refuse the joint account, and still others will not open accounts with persons who cannot write.

HIS SIGNATURE.

The single name account seems to fit his case. A signature card is handed him containing the number of the pass book, which he is to receive. This is more than a

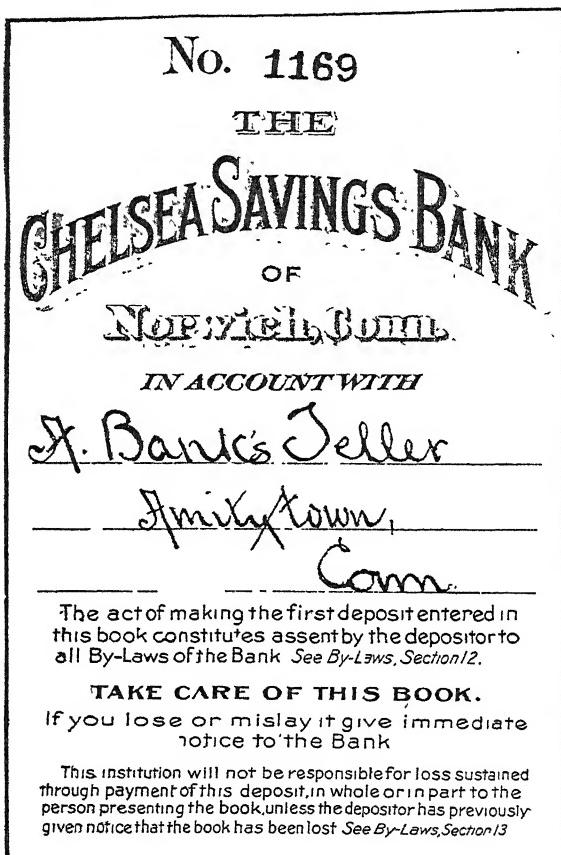
record of the total number of books issued; it is the "key" to all future dealings with this depositor. The amount, date and other information is also taken, which will be explained presently. While he is writing his name, the clerk will make out a ticket with the number, amount, and afterwards the name. In some banks the procedure will vary somewhat, the receiving teller taking the money and passing it along to the new account clerk with ticket calling for a new book, putting the transaction through as a regular deposit. In others, notably the larger banks, depositors wishing to open new accounts, are turned over to the new account teller, who takes the money and issues the pass book, and at the end of the day turns the amount so received over to the paying teller.

These methods will be dwelt upon at length later, in quoting the systems of larger banks. But this reference is to a small bank, where the same clerk receives the money and prepares the pass book. In handing in the money it is the universal rule to require the depositor to state how much he wishes to deposit, and generally savings banks do not require the depositor to make out his own ticket, owing to the fact that many are unfamiliar with banking methods. This statement, however, is disputed, for upon being told that the depositors in a certain bank could not make out their own tickets, because one in three depositors could not write, a savings bank man inquired if the proportion was made by count or by guess; and being informed that it was a rough guess, he advised a count and the result showed that only one in nineteen made a cross on the signature book.

Coming back with his card duly signed, in many banks he would also be required to sign on the signature book thus giving a permanent record and at the same time permitting the card to be sent out by mail for signatures where the deposit is not made in person. The cards are more quickly available for comparison of signatures and are coming to be universally used for this purpose, as will be seen in discussing payments to depositors, subsequently.

Owing to the fact that this man may not come back in years, and being one of those who do not write often enough to develop a regular signature and stick to it, it may be needful to have some test questions to put to him, in event of

not being able to identify him by his handwriting. These will also be valuable in case the account becomes "dormant,"



PASS BOOK COVER. NOTE THE CLAUSES JUST BENEATH THE WRITTEN MATTER.

mant," when it will be necessary, at least advisable, to trace him through his family connections.

TEST QUESTIONS.

The problem is to have enough information to serve as identification, and at the same time, not too much detail to be wearisome and in appearance inquisitive. The usual questions are: Age, date of birth, father's name, mother's maiden name; whether married or single; occupation, place of birth; residence (street and number), and sometimes

husband's or wife's name. A bank debating this question can make its own selection; I have given all the usual and leading test questions to be found among the banks. If the signature book and card *both* are used, all the book need contain is the name and address. It is better to have too much than too little, but some people dislike to be questioned, while others become suspicious that due care is not taken if too few questions are asked.

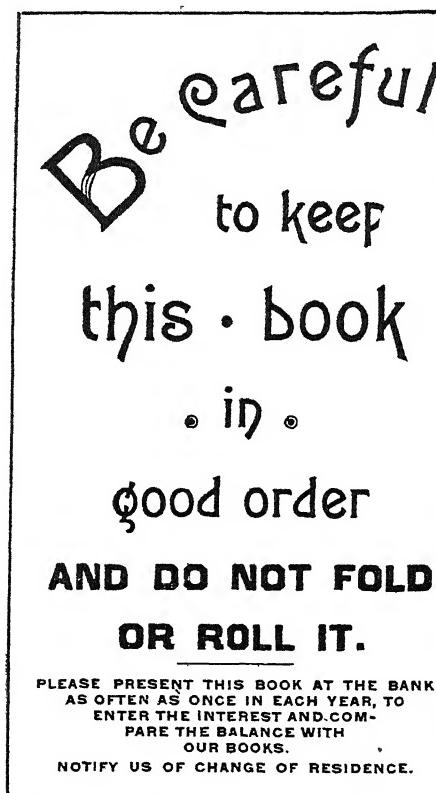
Where the signature book alone is used, and there are many such cases, a signature slip may be used when the depositor does not come in person. This is generally gummed on the back, and is pasted in the book when properly signed. In such instances, of course, the full details would be taken in the book. The trouble with the book is the "dead wood" that is bound to accumulate, making a search for signatures troublesome and lengthy on that account. Cards can be sorted out and filed away when the account is closed and are strongly recommended. They are at immediate command when wanted and are infinitely superior to any book.

HIS BANK.

A little girl went into a savings bank one day and said, "Mister, I want to join the bank. Here's a dollar." She was right. The new depositor "joins the bank." *This man by subscribing his name to the card or signature book has joined our bank* and is henceforth a member of the corporation. He will be governed by the by-laws, rules and usages of this bank. It is hereafter "his bank," and he will be indirectly affected by every loan and every investment and every success and every failure of his bank. The legal relation hereby established is fully treated elsewhere, suffice it to say here that he has entered into a contract with the bank and the bank with him. The terms of that contract are to be found in the pass book which he will receive,—this is universally true.

Particular attention is called to the cover of the pass book of the Chelsea Savings Bank, reproduced herewith, which contains on its face a clause to the effect that the acceptance of the book is sufficient to establish the fact that the depositor agrees to be bound by the conditions to be found therein. This is literally and legally true. The book is the

contract between the bank and himself, and if he does not wish to leave his money subject to the conditions of that contract, let him return the book and get his money. That he speaks another language than that in which the contract is printed will not excuse him,—let him get someone to explain it to him. That a bank deals with people speaking twenty different languages, is not to say it must print its



BACK OF PASS BOOK COVER. SUBJECT MATTER GOOD; ARRANGEMENT BAD.

rules in twenty different tongues, although the Union Dime Savings Bank and the Citizens' Savings Bank of New York print their by-laws in three languages, English, German and French; but this is not compulsory. So says the law and so says common sense. He must acquaint himself with the by-laws, and failure to do so is at his own peril. They are just; they are reasonable; they are for his protection as well as the bank's, and he will be required to

abide by the contract into which he has entered and so will the bank.

IDENTIFICATION HELPS.

In the event of this man being unable to write (and many savings bank depositors are unable to do so), he will be asked to make his mark, or perhaps bring some one to identify him. And in such cases in addition to the usual questions, the color of his eyes, hair, facial characteristics are sometimes taken, and if possible a distinguishing mark, or a scar, which is usually a good test. In the case of foreigners, many have pocket stamps, private marks, used as a "trade mark," and these may also be taken. But a scar, if permanent, is often a valuable help, and in law, a bank taking all such reasonable precautions to ascertain the identity of its depositors will be protected.*

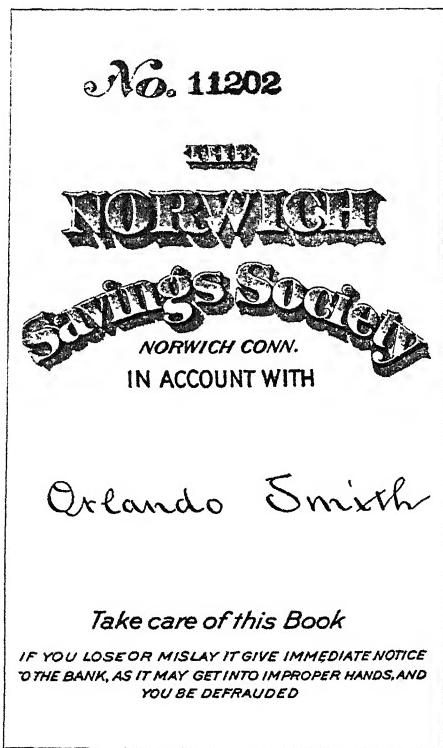
The methods of proving the correctness of the new accounts will be treated under "posting and proving methods" and at the same time descriptions of the systems used in large banks for this purpose will be given, and we proceed with the issuance of the pass book.

HIS PASS BOOK.

The evolution of the pass book would afford as interesting a study as the evolution of the depositors' ledger, which it has closely followed in form. It should be a duplicate of the ledger account. In other days, the debit and credit page was largely used, and is yet in many places, but the balance form, providing for extending the balance at each transaction, is coming into universal use. In large banks, where the volume of business is heavy and deposits multitudinous, the old form seems popular, as it obviates the chance of making errors in hurried extensions, and an error in the balance is often fruitful of misunderstanding; and where error has been made in extending it is difficult to explain at times. Some of the large banks are now using the balance form successfully by passing the book through a process of verification before it is returned to the depositor. Several ideas to check the ex-

*Many banks are now using the Finger Print System for identifying illiterates. See chapter on Finger Print Identification.

tensions are found in the forms given. One method is to take the balance on the deposit slip, and have it verified in posting; this of course would permit a book to get out for a little time with a wrong balance, but could be rectified by mail. Some banks take the pass book balances on the sheets used in connection with the "coupon system" of posting, while others make the posting from the *pass book* to the ledger and compare extensions, and this is perhaps the



PASS BOOK COVER—DIGNIFIED AND IN GOOD TASTE.

best method of all, although necessitating a larger force than other systems. Where this form is used, it is a very good idea to insert a clause in the pass book in a prominent place, to this effect: "The balance shown in the balance column is *memorandum for the convenience of depositors only*. It is not guaranteed to be correct, unless the book is presented at the bookkeeper's window and the amount shown therein verified by comparison with the

ledger account." This will avoid misconceptions of its purpose.

Savings bank pass books have hard usage and should be made with this in view. The cover should be of light but strong material that will bend without breaking. *Boards* should never be used, unless of extra weight, but this adds to the bulk, and the same end can be gained by using a light, tough material. Special attention should be given to the *opening qualities*, as some books otherwise good go to pieces after a few months' use. They should be well stitched or wired, preferably the former, and should be made by an experienced firm, as the average printing house does not do enough of this work to become proficient. The pass book is an important part of savings bank machinery. It should be given due thought. Do not experiment—go to a reliable house and pay the price for a good article. The bank is often judged by its printed matter.

As to size, it is a matter of judgment, but it is well to have the book small enough to go in an ordinary mailing envelope, and of the number of samples at hand, the most desirable size would seem to be $3\frac{1}{2} \times 6$ inches, which gives room enough for working space and yet leaves the book small enough to be mailed without special cover.

MANIPULATING THE PASS BOOKS.

Some years ago a clever rogue opened two accounts, one for a small sum and the other for a larger. This was before the day of close comparison of pass books and ledgers, and before the large numbers on the pages came into general use. By manipulating the leaves of the two books he defrauded the bank of the difference between the two books.* This could not happen in the average bank to-day, for all balances are verified before payment. But such swindles have had much to do in perfecting the savings bank pass book as we find it to-day, and also installing better methods of accounting in such institutions.

PASS BOOK SUGGESTIONS.

The custom of writing out the amount of deposit seems to be dying out, if the hundred samples at hand are to be a

*To guard against this possibility, the Williamsburgh Savings of Brooklyn has the book number on every page.

criterion in this regard. The protection afforded thereby is questionable, although it still obtains in many places. The entry, however, should *always* be initialed by the clerk making the same. The name is sometimes written on the cover, as well as inside, but this is a matter of taste. The book should in every instance contain those sections of the by-laws and regulations affecting depositors. *This is most*

Number	Signature		
	I		
I hereby agree to be bound by the conditions printed on reverse side			
Date	2		
Residence		Amount	
Occupation 1		Age	1 2
Father 1		Married	1 2
" 2		Single	1 2
Mother 1		Widow	1 2
" 2		Remarks	
Birthday 1		2	
H14438			

SIGNATURE CARD ARRANGED FOR SINGLE-NAME OR JOINT ACCOUNTS.

essential, as previously indicated. The interest rules, hours of business, and other information should also be given, and if subject to change, on a separate leaf, to be inserted in the book. The officers are frequently changing and trustees die or resign and it is no unusual thing for a bank to find itself, where the books are purchased in quantities (as they should be for economy's sake) with a lot of books having dead men's names or those not connected with the bank, thereon. As this was being written a case came to notice of a savings bank which had just moved into its handsome new building, and to celebrate the occasion changed its pass books. A fine engraving of the building adorned the front cover, and the book was a most creditable piece of work. The new books had been used but two months, when three of the officers listed on the back were changed, and the bank found itself with a large number of

books on hand which did not contain the correct list of officers and trustees. A little forethought would have avoided this. As a remedy, it is suggested that this part be kept separate and added by an insert, or the books can be

BOOK NO. 80908

DATE OF SIGNATURE

Feb. 9,

I AGREE TO BE GOVERNED BY AND TO ABIDE BY
THE BY-LAWS AND REGULATIONS OF THE
CHATTANOOGA SAVINGS BANK.

NAME	Daniel Boone		
POST OFFICE ADDRESS	Sunshine Ave., Nashville Tenn.		
BUSINESS	Explorer		
AGE	90	BIRTHPLACE	Does not remember
FATHER'S NAME	Matthew		
MOTHER'S NAME	Eliza		
NAME OF HUSBAND			
NAME OF WIFE	Ellen		

SIGNATURE CARD.

made up, all but the cover containing the officers, etc., and completed in lots of five hundred or a thousand, as the needs demand. This will keep the list up to date, a desirable feature.

CHAPTER XII

THE BANK AND ITS DEPOSITORS

In the simple act of signing his name to the signature card or on the "big book" and accepting in lieu of his money a bank book with credit for like amount, the depositor has done more than leave the money with the bank for safe-keeping; he has entered into contract with the bank and the bank with him, *and the pass book is that contract.** The *terms* of this contract are usually, if not quite universally, found in the pass book in the form of the by-laws, or so much of them as affects the depositor. Where the depositor upon making his first deposit in a savings bank, signed an agreement to be bound by the by-laws printed in the pass book given him, the by-laws become a material part of the contract of deposit.† He has not only joined the bank, but also agreed to do certain things and the bank likewise, and this contract is enforceable in law. Courts have recognized this as a valid contract and have held both parties strictly to the letter of their agreement.

It would be well if savings banks generally followed the lead of the Chelsea Savings Bank of Norwich, Conn., and called the attention of their depositors to the fact that the acceptance of the book constitutes assent to the by-laws, urging them to acquaint themselves with the rules and regulations under which their deposit was received. By so doing misunderstandings would be avoided. Such notice could be printed in several languages, suggesting that if unable to read English the depositor get someone who could, to explain them to him. Ordinarily a pass book is a pass book; but when it gets into court, it becomes a contract.

It will afford an interesting and profitable study to inquire into this matter at length, for it is vital, and see how the courts have construed this question, for much depends upon this contractual relation and the manner in which such

*Wahrus vs. Bowery Sav. Bk., 21 N. Y., 543.

†Brown vs. Merrimac River Savings Bank, 67 N. H., 549.

instruments have been interpreted. The study of this question resolves itself into two parts, viz.: (a) What the bank owes the depositor, and (b) What the depositor owes the bank.

THE LEGAL RELATIONSHIP.

It is a principle of law and of banking that the relationship between a savings bank and its depositors is:

1. Not the relationship of partners.
2. Not the relationship of bailee.
3. But it is that of *trustee* for the depositors.
4. It is that of *agent* for the depositors.
5. It is that of *debtor and creditor*.*

The relation between a *savings bank* and its *trustees* or *directors* is that of *principal and agent*, and that between the *trustees* and the *depositors* is similar to that of trustee and *cestui que trust* (one holding property for the use and benefit of another).† The very term "trustee" indicates this, and it is commonly accepted that the trustees have not and cannot have any interest in or title to the funds of the bank, except for the use of the beneficiaries, or depositors. The whole fund belongs to the depositors, including the surplus. The highest court in New York has so ruled, and the statutes of New Jersey so state.

With respect to any ordinary deposit, the contract between the savings bank and its depositors, in the absence of any by-law or rule limiting the liability of the bank, is the ordinary one of debtor and creditor.‡

DEBTOR AND CREDITOR.

The primary relationship is one of debtor and creditor, which is to say, this man has surrendered his money and his legal title thereto and taken in lieu thereof a credit with the bank evidenced by his pass book. He has not *loaned* the bank his money, nor left it for *safe-keeping*; nor left it with the bank as *trustee*, to hold for the use and benefit of the depositor, but given it to the bank *absolutely*.

*Am. & Eng. Ency. of Law, p. 1246 (2d ed.)

†Hun vs. Cary, 82 N. Y., 65.

‡Fowler vs. Bowery Savings Bank, 113 N. Y., 450.

and unreservedly. This is common law. As creditor he has the right to demand repayment at such times and in such amounts as he may desire, but *the bank reserves the right to make reasonable rules and regulations in this regard*, which will bind him the moment he accepts his book. In other words, the relation of debtor is limited and restricted by contract, and the pass book is this contract. These restrictions and limitations and regulations must be in keeping with the statute law of the State, and *must be reasonable*. In the event of the bank failing, he cannot say: "Give me back my money"—"my money" does not

When a depositor wishes to draw money, and cannot present his Pass-Book in person, let him make a Draft after the following form, to be sent with the Pass-Book	
No. _____	Rochester N.Y. _____ 190
THE EAST SIDE SAVINGS BANK OF ROCHESTER.	
Pay to _____	or Bearer,
DO NOT USE THIS BLANK.	
and charge to _____	Dollars,
Signature, _____	

Do not Write on this, nor Tear it out, But Copy this FORM OF ORDER, on a separate paper.	
Brooklyn, N.Y. _____	(Write Date) -79-
EAST BROOKLYN SAVINGS BANK,	
Pay to _____	(Write name of person who is to draw the money) _____ or Bearer,
(Write in letters amount to be drawn) _____ Dollars,	
and charge Book No. _____ (Write No. of your book)	
[To be signed by the owner of Pass-Book]	
\$ _____ (Amount in figures)	

DIRECTIONS FOR DRAWING MONEY, INSERTED IN THE PASS BOOK.

exist any longer; *it is the bank's money now*, and he can only say in language of the Holy Writ, "Pay me that thou owest"—but he must take his chances with others such as he.*

THE RULES AND REGULATIONS.

In many States it is required that, aside from printing the rules in the pass books, they must be conspicuously displayed in the bank lobby, so that all may read who run.†

As suggested above, they must be legal and reasonable, and the depositors *must be placed in such position that they may, if they will, become acquainted with them*. The courts have decided that the contract *need not be printed in the language the depositor speaks*. *The fact that he is illiterate and cannot read the rules in the pass book does not excuse him from their binding force if they are reasonable rules.*‡ This alters the matter and makes him, not simply a

*See chapter on insolvency.

†This is the law in New York and many other States.

‡Burril vs. Dollar Savings Bank, 92 Pa. St., 134.

creditor, but a party to a contract. The bank man should make no promises he does not intend to keep,* and the depositor should not leave his money if he does not wish to abide by the contract as he has received it, for a savings bank pass book is not a mere pass book or statement of account; it is issued to the person in whose name the deposit is made and with whom the bank has made its contract of deposit; it is the depositor's voucher, and the only security which he has evidencing the amount of his credit at the bank.†

PASS BOOKS NOT NEGOTIABLE INSTRUMENTS.

It is also a rule of law that a pass book is not a negotiable instrument, but a savings bank book is generally regarded to be worth "what is on it," and while this is true in the main, it is open to qualifications. It is worth what is on it to the *owner*, but in other hands the statement will not hold true. Most savings banks require the book to be presented at each transaction, and this being so, the book will show the exact state of the depositor's account at all times, and many commercial banks will loan upon such security without hesitation. The purchaser of a savings bank pass book to whom such book is delivered obtains an equitable title to the fund which it represents, as does also the donee of a book.‡ A gift of a savings bank deposit by delivery of the pass book is a valid and complete gift of the money represented by it.†

CARE IN THE PAYMENT OF DEPOSITS.

Among the regulations to be found in the pass books is one to the effect that possession of the book will be evidence sufficient to sustain the bank in making payment of money to the holder, which is both legal and reasonable, but many banks in an effort to be over-zealous in protecting their depositors have added a qualifying clause to the effect that the bank will "endeavor to prevent fraud," or will use its "best efforts" to that end, but nevertheless will pay upon

*Grierly vs. Nashua Sav. Bk., 63 N. H., 145.

†Whalen vs. Milholland, 98 Md., 199.

‡Pierce vs. Boston Savings Bank, 129 Mass., 425.

presentation of the book, which has been the cause of frequent loss and litigation. A bank is required to use due diligence and ordinary care, but, further than this, it need not obligate itself; but having contracted *to do more than this*, the courts will hold it strictly to the letter of its contract. As a general rule, the respective duties of the bank and its depositors toward each other are defined by by-laws, rules or regulations, but these do not relieve the bank from its general duty to *exercise ordinary care to prevent the payment of the deposit to the wrong person.** Regardless of by-laws, the bank is bound to exercise ordinary care and diligence in ascertaining the identity or authority of the person presenting the pass book.†

MUTUAL CONSENT.

Having found the by-laws to be the contract between the bank and its depositors, and that they must be legal, and reasonable, and placed within the reach of the depositor, who must have assented to the same (a contract is formed where two minds agree to and assent to the same proposition) the receipt of the pass book and the signature of this man on the card record, or signature book, will bind both him and the bank to this agreement.

ASSENT MAY BE IMPLIED.

The assent to the by-laws may be *implied*, even though the by-laws require that the depositors subscribe to a certain book.‡

He is *supposed* to know the terms of his contract. The adoption of rules and regulations and conditions respecting the relation between a savings bank and the depositors may be shown by *long usage*. The signature of the depositor to the book containing the rules and regulations is not the only method by which he may be bound. The agreement may be evidenced by his conduct, such as leaving his deposit at the bank after obtaining his pass book containing the rules and regulations.§

*Kimball vs. Norton, 59 N. H., 1.

†Kummel vs. Germania Savings Bank, 127 N. Y., 488; Brown vs. Merrimac River Savings Bank, 67 N. H. 549.

‡Gifford vs. Rutland Savings Bank, 63 Vt., 108.

§Ladd vs. Augusta Savings Bank, 96 Me., 510.

The contract is usually this: The bank acknowledges the receipt of the money and will repay the depositor, or on his or her order, or power of attorney duly attested, or when dead to the legal representative. The money deposited in a savings bank can be legally demanded by and received therefrom only by the depositor or his attorney.*

POSSESSION OF PASS BOOK NO EVIDENCE OF OWNERSHIP.

While possession and presentation of the pass book is universally required in order to draw funds, the mere pos-

I hereby ask to open an account with the Hennepin County Savings Bank of Minneapolis. To that end I have answered the following questions truly. I am acquainted with the regulations of said bank affecting depositors, and agree to be bound thereby.

SHEET NO. 56 ACCT NO. 501

ACCT NO. 501

Signed Mary North

Your birthplace (^{TOWN}
_{CITY}) New York (^{STATE OR}
_{COUNTRY}) U.S.

If in trust for whom

Your birthday Jan 1 Occupation Domestic

It is true, for whom
You send me. **G. S.**

Your Father's name John Your Mother's name Mary
Your Wife's name Helen Your Husband's name Peter

Four residence 73

Your wife's or husband's name

BAKER-VANITER CO. MANUFACTURERS CHICAGO, NEW YORK		PATENTED AUGUST 14, 1895, U.S.P. 575,818				
	DATE 1908		DEPOSITS	INTEREST	WITHDRAWALS	BALANCE
	Oct 1	Cash	100			
	" 10	"	✓ 10			110
	" 30	"				145
	Nov 7	"			5	140
	Dec 1	Int	10			150

SIGNATURE AND TEST QUESTIONS TAKEN ON THE LOOSE LEAF LEDGER SHEET.

session is not sufficient to warrant payment, even though it is so expressly stated. Due care must also be used.

The possession by a stranger of a depositor's pass book constitutes no evidence of a right to draw thereon. To make payment to one having no other evidence of authority to draw than the possession of the book a protection to the bank, it is necessary for the bank to show some special contract with the depositor authorizing such mode of payment. In a pass book issued by defendant to a depositor was printed a by-law, "All payments made by the bank upon presentation of the pass book and duly entered therein, will be regarded as binding upon the depositor. Money

*Eaves vs. Peoples Savings Bank, 27 Conn., 299.

may also be drawn upon the written order of the depositor or his attorney, when accompanied by the pass book." Held: The by-law contemplates two modes of payment, one to the depositor in person, and the other upon his written order, *both requiring the presentation of the book*, as a condition thereof; and it did not authorize or protect the bank in a payment to a stranger whose only evidence of authority to receive payment was possession of the book.*

RULES MAY BE WAIIVED.

The right to draw money is generally explicit, and if not qualified, and the bank agrees to pay to the holder of the book and "the book is the order of withdrawal" there is no question but that the bank will be amply protected in payments made without gross negligence according to the tenor of its contract, but, if otherwise, the payment is at its own peril. The reservation that "notice of withdrawal will be demanded," running from a few days in some States for lesser amounts to ninety days in others, and for greater sums, is both legal and reasonable, but the bank may make daily payments without waiving the right to enforce this rule, which is for the protection of the depositor as well as the bank. The bank through its appropriate officers may waive the right to notice of withdrawal stipulated in the by-laws.†

PAYMENT ON PRESENTATION OF THE BOOK.

In support of the position that the bank will be protected in making payments in accord with the contract it has entered into, the following is offered: "In most savings banks there is a rule that payments made to the person producing the book shall discharge the bank. *Such a by-law is reasonable and discharges the bank when it has exercised care in payment, even though the presenter was a thief.*"‡ The case of Schoenwald vs. Metropolitan Savings Bank § is in point. Here was a German girl who had

*Smith vs. Brooklyn Savings Bank, 101 N. Y., 58.

†Hudson vs. Roxbury Savings Inst., 176 Mass., 592.

‡5 Cyc. 508.

§57 N. Y. 418.

saved a hundred dollars. The money went into the bank, and the bank book into her trunk, where it should have stayed, but did not. The bank bargained with her that "it would use its best efforts to prevent fraud, but would pay upon presentation of the pass book." The book was stolen from the trunk and \$60.00 withdrawn upon an order purporting to be signed by her. In court, she testified that "the writing looked like hers," but she was certain that "she never signed a paper like that." The higher court reversed the judgment in her favor, and held that if the bank paid upon a forged order, *it was as if there had been no order at all* and the bank therefore paid upon presentation of the book, *which it had a perfect right to do*. It is an open question in this instance if the bank *used its best efforts to prevent fraud*,* as it bargained with her to do, but it won its case nevertheless.

A bank by-law providing that the bank will not be liable for loss sustained when a depositor has not given notice that his book has been lost or stolen, and the deposit is paid upon presentation of such book, is a reasonable and proper regulation for the protection of the bank, and will protect it except where it fails to exercise reasonable care under facts sufficient to excite the suspicion of a prudent man and put him on inquiry.† A payment on a forged order bearing a signature similar to that of the depositor, accompanied by the pass book, will discharge the bank *where there was nothing to arouse the suspicion of the teller or put him on inquiry*, as a reasonable and prudent man, that the signature was forged.‡ But if a comparison by the officers of the signature of an impostor, presenting the pass book, with the signature of the depositor on file, in the bank would prevent the fraudulent imposition, then payment without comparison and without requiring proof of identity other than possession of the book, is no defense, even though a by-law authorizes payment to the holder of the pass book.§

The case of Appleby vs. Erie Co. Savings Bank,¶ is of like tenor. The bank promised only "to endeavor to pre-

*This case has been criticised in subsequent decisions.

†Gifford vs. Rutland Savings Bank, 63 Vt. 108.

‡Langdale vs. Citizens Bank, 121 Ga. 105.

§Ladd vs. Augusta Savings Bank, 96 Me. 510.

¶62 N. Y. 12.



PASS BOOK COVERS, PLAIN AND ORNAMENTAL.

THE BANK AND ITS DEPOSITORS

vent fraud." In this case the book was stolen and presented at the teller's window by one assuming to be owner. He signed his name at the customer's desk, the teller *carefully* compared the same with the one on and finding nothing to excite suspicion, paid over money. The payment was sustained.

These instances and quotations will suffice to establish the point that a bank making reasonable rules and using reasonable care in the payment of money, will be amply protected.

WHAT IS DUE CARE?

To establish reasonable care the following would seem to be requisite:

1. Possession of the bank book.
2. The signature must agree with the bank's file.
3. The test questions must be answered correctly.
4. Failing in these definite and complete identifications should be required.
5. Nothing to excite suspicion and place the bank in inquiry.
6. If payment is by order, the signature must correspond with that recorded and the payee should be identified.
7. If by power of attorney, due care must be exercised to see that it is correct and authentic, and particularly to the particular transaction, *and that the principal is still living.*

THE DEPOSITOR'S SIDE.

Turning next to the depositor's side, we shall find that the usual conditions of the contract are:

1. That good care be taken of the book.
2. If lost or stolen, immediate notice must be given to the bank.
3. The book will be presented at every transaction.
4. The provisions of the by-laws are accepted and the depositor agrees to be bound thereby.

The depositor *undertakes to preserve the book he receives as the evidence of his deposit, to present the same or send it whenever he calls for a payment, to give no*

if it be stolen or lost, or failing to do so, to claim as against the institution, nothing which shall have been paid in *good faith*, and in the *exercise of reasonable care*, to any one presenting it.

On the other hand, a payment to the wrong person, upon presentment of the book, even before notice of loss, if it were presented under such circumstances or in such a manner as would tend to excite the suspicions or put an ordinary man of prudence upon inquiry, would not exonerate the institution. Its officers are held to the reasonable exercise of care and diligence.*

The payment of money by a bank, on a pass book presented by a stranger, without inquiry as to his identity, and without comparing his signature with that of the real owner, *is negligence which is not excused by the owner's negligent loss of the book*.†

A by-law providing that the bank will *not be liable for loss sustained when a depositor has not given notice that his deposit book has been lost or stolen*, and the deposit is paid on such presentation, is a reasonable and proper regulation, for the protection of the bank, and will protect it except where it fails to exercise *ordinary care*.

In the case of Gearn vs. Bowery Savings Bank,‡ payment was made upon letters of attorney which proved to be false, and did not pertain to the payment in question. The court held that "Payment by a savings bank of a deposit to a person not entitled to receive it, even though he may have possession of the book and present it, will not discharge the bank if at the time of payment a fact or circumstance was brought to the knowledge of the bank officers calculated to excite suspicion and inquiry by a careful person"; and in this instance they failed to make inquiry and to use due care, and the deposit had to be paid twice.

Of like import was the case of Allen vs. Williamsburgh Savings Bank,§ in which the account stood in the name of the husband, while the book was presented by a female, his wife, with a forged order. This was *prima facie* notice that the book did not belong to the one presenting it, and would have placed a careful man on in-

*Sullivan vs. Lewiston Savings Bank, 56 Me. 507.

†Brown vs. Merrimac River Sav. Bk., 67 N. H., 549.

‡New York Savings Bank Cases, No. 35.

§New York Savings Bank Cases, No. 34.

quiry. Failing in this, they assumed the risk of forgery (always operating against the bank) and paid the check. The signature *resembled* that of the real depositor, but was enough at variance to excite suspicion. Here the bank agreed "*to use its best efforts to prevent fraud,*" which the jury seemed to think it had not done, and gave verdict accordingly, and the higher court sustained the finding. In full accord with the last, is the case of Kummel vs. Germania Savings Bank,* where the bank agreed to pay only the depositor or his attorney, but added, "the bank will not be responsible for fraud committed upon its depositors in producing the pass book and drawing money without the knowledge or consent of the owner." Here was a German who had a bank account and the book got into other hands. The first payment was made by the cashier, who simply asked the man *where he lived*. In the other payment, a difference was noted in the signature and the man was asked if he could not write a better hand, to which he replied that he "was not feeling well." Not using the care that a careful and diligent man should, this bank, like the Williamsburgh, lost its case.

Having found the relationship between the bank as a corporation and its depositors, and vice versa, let us inquire briefly into the relationship established between the trustees as individuals or managing officials and the depositors.

TRUSTEES AND THEIR LIABILITY.

The position of the managers of the bank is somewhat as follows:—Savings banks officers cannot assume responsibilities or enter into contracts or transactions so as to bind the bank, unless such acts are clearly incidental to their duties.† The true rule is that such trustees are bound to the exercise of ordinary care and prudence,—that degree of care and prudence that men prompted by self interest generally exercise in their own affairs.‡ The trustees are bound to observe the limits placed upon their powers in the charter (or in the statute) and if they transcend such limits, and cause damage, they incur liability. If they act fraudulently and do a wilful wrong, it is not doubted they

*127 N. Y. 488.

†Grerly vs. Nashua Savings Bank, 63 N. H. 145.

‡24 Am. and Eng. Ency. of Law, 1248. 2nd ed.

may be held for all damages they cause to the bank or to the depositors. But if they act in good faith within the limits of the powers conferred, using proper prudence and diligence, they are not responsible for mere mistakes or errors of judgment.* Trustees must bring to the discharge

THIS ORDER MUST BE FILLED IN WITH INK		
Book No. <small>(Here write the number of the book)</small>	Borough of Brooklyn New York, N. Y.	190
The Dime Savings Bank of Williamsburgh, will please		
(DO NOT WRITE IN NAME OF BEARER)		
Pay to bearer...	<small>(HERE WRITE IN LETTERS THE AMOUNT TO BE DRAWN)</small>	Dollars,
In case balance of account is wanted and exact amount is not known, write "THE FULL AMOUNT." In case INTEREST is wanted and exact amount is not known, write in space above for what periods of time In case all money over a certain amount is wanted, indicate it plainly in space above		
and charge to above numbered Bank Book.		
(Sign your name on this line) <small>(Adding "TRUSTEE" in case of a trust account.)</small>		
Now residing at No.		
Ldg Bal	Sig.	P B Entry
THE BANK BOOK MUST ACCOMPANY THIS ORDER		

COMPLETE INSTRUCTIONS FOR FILLING IN WITHDRAWAL BLANK.

of their duties ordinary competency, together with reasonable diligence and care.†

RESPONSIBLE ONLY WHEN NEGLIGENT.

The trustees of savings banks are personally responsible for frauds and losses resulting from gross negligence and inattention to the duties of their trust. They must know the fundamental law controlling the bank and can be excused only when, and after taking due care to understand the provisions of the law, they honestly mistake the same.‡ The trustees and directors of savings banks must observe good faith and ordinary prudence in executing the trust imposed in them.§ The managers of such institutions occupy the positions of holders of a public trust of a benevolent nature, and it is their duty to preserve and foster the object of their trust with a reasonable zeal.||

*Hun. vs. Cary, 82 N. Y. 65.

†Williams vs. McKay, 46 N. J. Eq. 25.

‡Marshall vs. Farmers Savings Bank, 85 Va. 676.

§Union Nat. Bank vs. Hill, 148 Mo. 380.

||Barrett vs. Bloomfield Savings Inst., 64 N. J. Eq. 425.

Insofar as the trustees are concerned they say to the depositors: "We are not the bank (if it is a mutual concern), *you are the bank*, and we are your representatives, your managers, your benefactors. Leave us your money and we will take good care of it and put it where it will not be stolen or burned. We will not keep it idle longer than necessary, but invest it according to law, and our best judgment. We will pay it back to you according to the terms of our contract, but if losses attend through error of judgment in investments, or otherwise, and we have not been negligent in any wise,—the loss is yours and not ours. Whatever profit may attend the investment of your money, will come back to you as interest, or may be held in a surplus fund for your benefit and protection. We cannot (except in stock savings banks) share the profits, it is not just that we should bear the losses, save by betrayal of our trust."

As long as the trustees of mutual savings banks keep within the law their responsibility is moral rather than legal. In Minnesota, the savings bank trustees are required to file bonds in the sum of \$5,000 each with the banking department as evidence of good faith, but this is the exception. In most of the States, oaths of office are required, but even in New York, with the best savings bank law in the land, this formality was not required until the year 1908.

Enough has been cited in authority to demonstrate: That the relationship is *contractual*. That the bank must use due care in making payment of depositors' money. The bank man must be careful not to make a contract that he does not expect to fulfill. He must be mindful of his terms and, while in all good intention to protect the depositor, not attempt the impossible, nor assume too much. The depositor owes something to the bank, and that is to take all *due precaution* that his book, his contract, does not get into evil hands, and if so to give prompt notice to the bank that it may be on guard,—otherwise he is perfectly protected.

Having, therefore, found a mutual responsibility, it is indeed a *mutual institution*. The depositor stands in a peculiar position to the bank and it to him. He has more than a passing interest in its welfare, for it is in fact "his bank" and he is vitally interested in all it does.

CHAPTER XIII

DEPOSITS

The savings bank teller, in fact, any bank teller, is an important personage. No one in the roster of the bank is more vitally concerned in the success of the institution than he. The little window at which he stands in receipt of custom is the pivotal point around which the work of the whole bank revolves. It is the *meeting place* of the bank and its patrons. While a few customers meet the president and the secretary, the multitude comes into personal and intimate contact with the man in the cage. It is he who makes friends or enemies for his institution. If a patron goes away from the window with a smile and kindly feeling in his heart, it is because he has been pleased with the treatment he has received. If he goes away with a feeling of enmity, it may be and often is, the fault of the man who received or paid his money. How important, therefore, is this man, and how essential that he have the qualities that make for success! When we remember that the savings bank is not a necessity like the business bank; that its depositors visit it infrequently; that it draws its custom from miles around and that people not only can afford to, but do, travel long distances in order to deposit with the bank of their choice, the work of the teller in both building up and holding the clientele becomes of no little importance.

THE TELLER'S QUALIFICATIONS.

It is not the purpose at this time to go extendedly into the teller's qualifications. That is an old subject and more or less threadbare. Suffice it to say that in a savings bank he should be a man of *tact and patience*, for he deals with a class of people unacquainted, as a rule, with the ways of business and banking, and will often have his patience sorely tried. He should have courteous consideration for their shortcomings and "remember their bonds." In large

banks he will need to work under pressure at times, and must have a cool head, a steady hand, and a physique that will stand a strain. Rapidity and accuracy will be much in demand at interest time when the rush is on and the multitudes are storming the banks, for in some places, notably New York, during the ten-day interest periods in January and July police protection has to be invoked in order to handle the crowds.

<u>Depositors Will Please Fill Out This Slip</u>	
DEPOSITED BY	
<i>The Oneida Community</i>	
Pass Book No. <u>5075</u> in the	
Oneida County Savings Bank	
ROME, N. Y., <u>Apx. 1</u>	
Bills	<u>2.00</u>
Specie .....	.....
Checks	<u>1.00</u>
"	<u>.550</u>
"	<u>.990</u>
"
"	<u>16.40</u>
"

DEPOSIT TICKET.

In many banks he will be what has been so aptly termed the "Bank's Department of Mercy." He will be the confidant and advisor of many who have learned to know and trust him. His affability will make him and his bank many friends. His knowledge of current events will make his opinion respected. His acquaintance with securities will make him the safe counsellor of those who seek his advice regarding contemplated investments. His habits and character will make him a leading citizen, a credit to the bank and himself. Let him realize how important is his office, how helpful he can make it in the lives of those with whom he comes in contact, ever mindful of the fact that he is a

public servant—the connecting link between his bank and the public—an office not to be despised in its broad opportunities to render opportune and helpful service with no other thought of reward than a sense of peculiar privileges well taken advantage of.

HIS MONEY AND THE BANK'S.

It is an acknowledged fact, that to the bank man, money in the till has a different meaning than that in the pocket. His cash on hand is merchandise,—valuable and expensive merchandise, to be sure, but nevertheless a commodity,—

ALBANY COUNTY SAVINGS BANK.	
CREDIT. <i>Solomon Saver</i>	
Currency, - \$ -	90
Silver, - - -	5
Gold, - - -	10
Checks, - - -	30
	5
	2
<i>No. 6079</i>	
<i>Dec. 30</i>	
	Total, - \$ -
	142

DEPOSIT TICKET.

stock in trade. As one teller puts it, "A dollar in my pocket feels as big as a stove lid, while a dollar in the till is no bigger than a tin whistle." But over this commodity he must have constant and careful thought. It is with him in sleep as well as in his waking moments. Did he lock the safe? Did he leave out the silver? Did he set the time lock properly? No great damage if he did forget the silver, but if he miscalculated the time, or left the vault door open it might stamp him as careless and carelessness is no part of a bank man's qualifications.

THE ART OF COUNTING MONEY.

Counting money is a fine art and one of the teller's main assets. It should be done quickly and gracefully and without fatigue. It can best be learned by practice, but a

few general directions may not be out of place. According to M. F. Bauer, erstwhile paying teller of the old American Exchange National Bank, New York, "the beginner should watch and study his movements while counting bill after bill. He should count carefully and slowly and try to execute every movement with precision and economy; and let his aim be to be accurate and precise, even if a slow, counter. Speed will develop unconsciously, and also the other qual-

DEPOSITED BY		
<i>This Excellency The Governor ..</i>		
IN THE		
Albany Exchange Savings Bank		
ALBANY, N.Y.		
Account No. 50750 <i>Apr 9 ...</i>		
PLEASE LIST EACH CHECK SEPARATELY		
Bills, Gold, Silver, etc., Checks,	Dollars. 4 0 0 5 4 9	Cents. - - 9 0
TOTAL \$ <i>4.54 90</i>		

DEPOSIT TICKET.

ties. . . . Almost every one when starting as a money counter has the idea that a big swing of the arm is proper in order to draw the bills from the hand on the desk before him this, however, is a waste of both energy and time. The newcomer in our department is taught counting,—and in order to become expert at it—to take up a lot of bills about an inch thick and hold them in the palm of his left hand between the thumb and extended four fingers,

three, or at the very most, four inches above the desk. He places the bills so that the thumb is about over the middle. In order to proceed with the counting he shoves the top-most bill forward with the left thumb over the edge of the lot, while with a slight bending motion of the other four fingers restrains the other bills of the lot. The bill is at once seized with the thumb and index finger of the right hand and by the same pulled away and deposited on the

THE MIDDLETOWN SAVINGS BANK,
MIDDLETOWN, CONN.

RECEIPT TICKET ADAPTED FOR SEVERAL PURPOSES.

desk. During the pulling the left hand moves a little to the side away from the right hand, so as to expedite the process of separating the bill from the lot." Tellers as a rule count by units—that is to say, taking five as a unit, a ten would be two units; a twenty, four units, etc., and this avoids the possibility of skipping a hundred in verifying packages of money. Bills are usually strapped in packages of fifty bills of one denomination; thus fifty 1's, fifty 5's,

10's, etc., and proven by counting the *number* of bills in the packages.

THE TELLER AND HIS TASK.

The work of the savings bank teller resolves itself into three parts: First, he must make an accurate record of all he takes in or pays out; second, he must make a corresponding entry in the depositor's pass book; third, he must have received or paid the cash or its equivalent this record calls for.

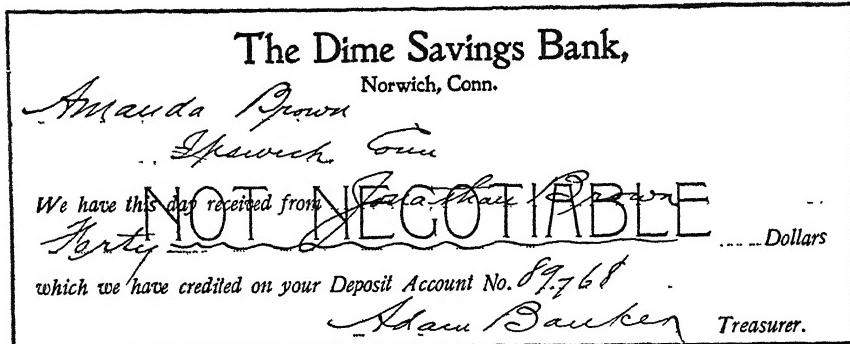
No matter how extensive the business, or how complicated the system, the books of a bank or mercantile house *can* be kept in perfect balance. It is merely a matter of bookkeeping. But with the cash it is different, an error once getting through undetected, is either a "short" or an "over" and must be held in a "suspense account" until found, or charged or credited to profit and loss, unless the bank has a different rule.

The transactions in a savings bank with depositors are: First, deposits; second, drafts; third, interest; to which might be added transfers, which are essentially drafts and deposits.

In many banks the tellers' work is divided into receiving and paying departments, and the two kept separate, as are also the interest payments and other details which go to make up the cash, but for present purposes it will suffice to consider the department as a whole and we shall treat first the receiving of a deposit.

Many banks endeavor to train their depositors in proper banking methods, and request them to keep the bills flat, right side up, denominations separate and placed in the pass book, face up.

Dealing as it does with a heterogeneous mass of people, some illiterate and others unacquainted with the ways of banking, it is not the rule to require depositors to make out their own tickets, although some banks encourage this practice. No doubt it is good banking to require this; but in many instances, especially in the case of foreigners, it would be impossible to enforce the rule. It is, however, the general custom to *verify the amount by word of mouth*, but the written instrument in the depositor's handwriting would, in law, be much better. In the Onondaga County Savings



RECEIPT FOR DEPOSIT GIVEN WHEN BOOK IS NOT PRESENTED.

Bank of Syracuse, depositors are required to make their own tickets and after years of training do so most successfully. The guard helps those who cannot write and goes down the line giving depositors pads of deposit tickets and indelible pencils.

"The first step," says Bolles' Modern Law of Banking, "in making a deposit is to enter the items . . . on a slip prepared for that purpose by the bank. These entries are made by the depositor himself or his agent, and not by an officer of the bank, and, being original, are the highest evidence in any subsequent dispute. But a bank that receives a deposit without such a ticket is none the less liable."

Deposit	\$ <u>550.00</u>	Book No. <u>82716</u>	\$ <u>550.00</u>
Book No. <u>82716</u>	DEPOSITED IN		<u>Ent 13</u> <u>Ckd 9</u>
Name <u>P.B. Ruine</u>	Connecticut Savings Bank of New Haven		New Haven, Conn.
Trans. from	282		
Transfer from			
Specie			<u>15</u>
Bills			<u>320.</u>
Check			<u>25</u>
"			<u>40.50</u>
"			<u>149.50</u>
"			<u>550</u>

DEPOSIT TICKET WITH STUB.

The deposit tickets of savings banks are in as wide variety as the neckties in a haberdasher's window. They may be found in all shapes and colors and sizes and with a large variety of ideas intended to act as a check upon the work. The usual data are, number of account, date, name, items and total amount deposited, with such additional matter as experience would suggest. Of the many at hand, but a representative few are herewith shown.

MAKING A DEPOSIT.

Handing the money to the teller, the depositor is asked "How much, please?" and the mill begins to grind. In order that the entry about to be made on the book may tally with the ticket and subsequently with the deposit ledger of the bank, many systems have been devised. They are as varied as savings banks are numerous. It goes without saying that whatever the system, it should not be some scheme of duplication. Of what avail is it to make two tickets, which may both be wrong? The logical method is to devise a plan which will act as a check, doing the same work twice, it may be, but doing it the second time some other way.

In the Paterson Savings Institution (New Jersey) *the tellers never make an entry on the depositor's book.* The bookkeepers receive the pass books, compare them with the ledgers, make out the ticket, make the entry on the book, and initial the deposit slip under "Clerk at Desk." The clerk makes the same initial on the pass book. The pass book is then passed to one of the tellers, who receives the money from the depositor, who in turn receives his pass book with the proper entry. The teller, for the purposes of his money proof, enters in a book conveniently ruled, the number of the pass book and the sum received *as indicated by the pass book entry.* The deposit slips are taken by a junior clerk during the day and copied in another book, and this clerk places his initials after the word "Entered" on the slip. The total shown by this book at the close of the day must agree with the teller's list of the same transactions. *No instance has ever been known in this bank where teller and the bookkeepers have made the same mistake.*

A MECHANICAL TELLER.

Without doubt the nearest absolute check upon a receiving teller is the "mechanical teller," which has been in use in the Union Dime Savings Bank of New York for over twenty-five years. It is really a special adding machine which makes its own entry in the pass book of the depositor. And while it credits the depositor it debits the teller, and he must account for all that he credits in the pass books. As the money comes in with a ticket properly made out, the book is placed in the machine and the number keys are pressed and likewise the amount keys, and upon pressing an electric button the wheels revolve, making the entry on the book, in the machine and on a tape. The tape is cut apart at the end of the day and pasted into a book, and this becomes the teller's receipt of cash, for which he must account to the institution. By taking from the amount at the close of the day that which the machine called for at the opening of business, the amount received from depositors is shown, and this added to the cash on hand at the opening of business is the amount required. In making payments the same process is gone through, although the figures are further to the right.

As stated by late President Sprague in a letter to the committee on auditing of the American Bankers' Association, Savings Bank Section, "The teller is charged with and is responsible for: 1. The debit entry in the depositor's pass book, which the depositor may be trusted to verify. 2. The entries on the tape, which, when cut, and pasted in a book, form a journal of the amounts to be credited to the depositor's accounts. 3. The total over which the teller has no control and which must be corroborated by the bookkeeper's work."

TRIANGULAR METHOD.

In the Greenwich Savings Bank (N. Y.), the teller receives the bank book and money from the depositor, makes out a ticket (if same has not been done by depositor), counts and keeps the money, making entry in pass book, bringing down the new balance as well. The ticket is stamped with date and number, listed and retained by the teller until his day's work is proved. The pass book is given

Hudson, N.Y.	19	Hudson City Savings Institution	
Deposited by		Hudson, N.Y. 19	
Mary Hudson		Borrowed from Henry Hudson	
to be credited on Book No 444-767		Dollars (\$50.00)	
in name of		to be credited on Pass Book No 444-767	
Henry Hudson		upon presentation of said Pass Book and the surrender of this receipt	
Dollars, (\$ 50.00)		HUDSON CITY SAVINGS INSTITUTION.	
		Per D. J. Kelley	

-RECEIPT FOR DEPOSIT WITHOUT THE BOOK. STUB FORM OF DEPOSIT TICKET.

to the journal clerk who records the number of account, name, deposit amount and balance on journal sheet, and then inquires of the depositor the amount of his deposit before giving him his book.

A BOSTON PLAN.

The Wildey Savings Bank of Boston has the following system:

a. The receiving teller takes money and deposit book, counts money and states to depositor the amount, which the depositor verifies by assent.

THE PATERSON SAVINGS INSTITUTION.	
DEPOSIT.	
DATE	BOOK NO. 107-900
NAME	Robert B. Pddy
AMOUNT, \$ 2000.00	
POSTED,	JP
ENTERED,	CLERK AT DESK, JY

-DEPOSIT TICKET WITH POSTING CHECKS.

b. Enters on slip the book number, name of depositor and amount of deposit.

c. If the last dividend is entered on the book, it is assumed to be correct, and the balance shown thereon is entered on slip; otherwise, the book is compared with ledger card and written up to date before the balance is entered.

d. The slip is added, deposit and total entered on book, book returned to depositor and slip hung on hook at teller's window.

A BALTIMORE IDEA.

In the Eutaw Savings Bank, Baltimore, the receiving teller ascertains the amount of deposit, receives book and

<u>NO 90199</u>		<u>NO. 90199</u>	<u>AMOUNT \$ 240⁰⁰</u>
BILLS	<u>100</u>		
COIN	<u>10</u>		
TRANSFER	<u>100</u>		
FROM NO.	<u>89 890</u>		
CHECK	<u>30</u>		
<u>COUPONS</u>			
<u>\$ 240 00</u>			
<u>DEPOSIT</u>			
<u>Jonathan Reddy money</u>			

DEPOSIT TICKET WITH STUB.

money, and verifies amount named by depositor; enters amount, number of pass book, and depositor's name on ticket; enters in scratcher from ticket, number of book and amount, and passes book and ticket to his assistant.

Totals of his scratcher must agree with totals of assistant's sectional sheets.

The assistant receiving teller receives pass book and ticket from receiving teller, and asks depositor amount of deposit; enters amount and his signature in pass book; enters in sectional register *from pass book*, number, name and amount, and hands book to depositor.

ANOTHER TRIANGLE.

The New Bedford (Mass.) Savings Institution uses three windows for receiving deposits, with three clerks to handle the work. The depositor presents his pass book at window No. 1, where the clerk takes it and adds the interest, if any is due, and makes out the deposit slip, with

date, number and the amount the depositor *says* he wishes to deposit, and passes the book and slip back to the depositor, who takes them to window No. 2, where the receiving teller takes the book, slip and money, checks the slip, and enters the amount in the pass book, which he passes to the clerk at window No. 3, who copies the number and name and amount in the journal of deposits, and returns the book to the depositor. The receiving teller retains the

UNION DIME SAVINGS BANK in account with **DEPOSITORS**,

on the Morning of JUN 2 01927 , before the Beginning of Business.

Dr.	Cr.
Total Registered by Machine	17 219 775 69
Total Registered by Machine	73 528 299 89
Total Registered by Machine	206 195 729 53
Total Registered by Machine	15 279 177 73
Total Registered by Machine	15 769 015 82
Total Registered by Machine	181 039 471 40
Total Registered by Machine	325 878 037 36
Total Registered by Machine	297 535 297 32
Total Registered by Machine	47 760 752 52
Total Registered by Machine	47 760 752 52
Total Registered by Machine	5 998 741 30
Total Deposits received since organization	5 998 741 30
Total Deposits received since organization	118 812 052 22
Total Drafts paid since organization	567 392 246 34
Total Interest Dividends credited since organization	56 099 682 92
Balance due depositors	107 529 478 80
	674 911 735 14
	674 911 735 14

DAILY PROOF OF DEPOSITS USED IN CONNECTION WITH THE "MECHANICAL TELLER",
UNION DIME SAVINGS BANK, NEW YORK.

slip with the money until he can count it again, when he checks the slip and still later checks the journal from his slips.

HOME SAVINGS BANK, BOSTON

In the Home Savings Bank, Boston, the deposit ticket provides space for listing bills, gold, silver and checks. Only the totals of the first three items are entered, but each check is listed separately, and the teller indicates opposite each check the bank on which it is drawn.

On the stub, the teller writes the account number and the amount deposited. These stubs are retained by him and at the close of business are run on an adding machine. The total should equal his receipts. After being checked off on the register, the stubs are filed for future reference.

Deposit tickets are numbered in series from 1 to 100,000. Each ticket must be accounted for on the register.

If a ticket is cancelled, the reason for it must be clearly stated and approved by an officer. Notation is then made on the register and the ticket filed for reference.

The passbook and deposit are presented by the depositor at the Receiving Teller's window. The amount named by the depositor is then verified and if found correct, the ticket and stub are prepared by the teller who writes on each only the number of the account and the amount of the deposit. The stub is kept for his record, but the book and the ticket are passed to the second teller for the entry of the deposit.

After the entry is made in the passbook, and the name written on the ticket, the depositor is asked the amount of his deposit, and if it agrees with the amount entered, the book is returned to him.

IN PHILADELPHIA.

The Philadelphia Savings Fund Society, which has more than 250,000 depositors, furnishes the following description of its method of receiving deposits, both new and subsequent:

New accounts are taken at a special desk, where all information is given before opening the account. The teller receives the deposit, enters the amount on a slip bearing the printed number of the new account; a short slip with the number only, is given to the depositor, who hands it to a clerk, where the signature and other particulars are taken on a card of the same number. The name is then printed on depositor's book and deposit slip (carbon copy) at the same time by typewriter and deposit entered in book. Another clerk verifies the book and entry before giving to depositor.

All subsequent deposits are received at the regular receiving department. The teller enters the amount only on the deposit slip, places slip in the pass book; an assistant gives credit for the amount in the book and passes the same to a clerk who writes out a duplicate ticket with the number of the account and the initials of the depositor and lists the amount on adding machine No. 1, which

serves as the cash book, while a third clerk enters the name of depositor and the number of account on the original deposit ticket, examines the entry and verifies it before it is handed to the depositor.

These deposit tickets are now listed on adding machine No. 2, compared with the addition of machine No. 1, and with the duplicates handed to the bookkeepers for posting. From the duplicates the postings are verified.

CHAPTER XIV

WITHDRAWALS

The foregoing systems relate to deposits only. Receiving is easy as compared with paying. In receiving, no questions are asked as to whether the money is "tainted" or not; whether it was honestly earned or stolen; whether the holder is an honest man or a crook; whether he be Jew or Gentile, rich or poor, thrifty or spendthrift, good, bad or indifferent. Money in hand is the only credential. If he has no pass book,—give him one; if he has a book, take it for granted that he is the owner.

And here it is that a distinction comes in between the savings bank and the bank of discount. In the latter, introduction is often required, while the savings bank asks nothing but the pedigree of the depositor.* The commercial bank deals largely with men of affairs and acquainted with the ways of business. The savings bank deals in the main with those partially and often totally ignorant of banking rules and principles.

The trouble lies right here: The depositors go out of the savings bank with evidences of debt in their hands that are of value and easily negotiable, and frequently the cause, or the medium, of forgery and fraud. It therefore behooves the man in the cage who hands out the money to have a care that he does not pay the wrong person. Due care must be used or the bank will be liable. What *is* due care depends upon circumstances, and in a previous chapter this subject has been treated at length. Suffice it to say, that the test questions which were recorded at the time of opening the account are for the identification of the depositor. These must be asked and signature compared with signature on file, and if any discrepancy is noted, payment

*In some of the early English banks, before the depositor was allowed to open account, his pedigree was closely investigated, and if acceptable, the rate of interest the bank would pay him was determined.—Lewin's History of Savings Banks in England and Ireland.

must not be made until the bank is certain and satisfied with the identification of the party presenting the book.

TO THE TELLER: TAKE CARE!

The usual rule, to be found in almost all savings bank books is that "payment will be made to the one presenting

 Write in this corner the amount you wish to draw, in plain figures;  dollars above the word "Dollars," cents above the word "Cents."  \$		
We cannot pay without the Book. The Number is on the Cover of the Book. Write here the Amount very plainly in WORDS. Always sign as you did at first. Present Address...	New York, 19	DOLLARS CENTS
Union Dime Savings Bank, Pay on Book Number _____ <i>Dollars to myself or bearer, and this shall be your receipt.</i>		Signature, _____ <small>Individually or as Trustee as the book reads.</small>
		3 2 1 0

WITHDRAWAL ORDER. NOTE FULL INSTRUCTIONS AND POSTING CHECKS.

the pass book." And many cases have been fought out along this line of defense; but in a majority of the instances, the bank was *bound to show it had used due care in making the payment*, a position which it could not sustain. The teller therefore cannot hand out money to whomsoever passes in a book and says, "Give me my money!" It may not be "my money."

Received of	Rochester, N. Y., 19
THE EAST SIDE SAVINGS BANK OF ROCHESTER.	
<u>Eighty</u>	<u>DOLLARS</u>
<i>Being withdrawn from the amount standing on the books of said Bank to the credit of myself and <u>wife</u>, or either, and I do hereby certify that said last mentioned person is now living.</i>	
Pass Book No. <u>8765</u> <u>\$80</u>	<u>Peter Kodak</u>

WITHDRAWAL FORM USED IN CONJUNCTION WITH JOINT ACCOUNTS. NOTE THE CERTIFICATE.

Received		Pass Book No. 15.166..
—OF—		45-
CAYUGA COUNTY SAVINGS BANK.		
FIVE DOLLARS		\$5. =
Withdrawn from the amount standing to my credit on the books of said Bank.		
Witness.		
<i>Sales Man.</i>		

WITHDRAWAL BLANK WITH AMOUNT PRINTED IN (DIFFERENT COLORS ARE USED FOR DIFFERENT AMOUNTS—THOSE MOST FREQUENT IN SAVINGS BANKS.)

No. 109.806 \$100- <i>R. J. Pitt</i>	ON ACCOUNT OF BOOK NO. 109.806 \$100- PITTSFIELD, MASS. RECEIVED FROM THE BERKSHIRE COUNTY SAVINGS BANK One hundred <u>100</u> DOLLARS SIGN HERE <u>R. Field Pitts</u>
--	---

WITHDRAWAL BLANK WITH STUB.

THE PASS BOOK MUST BE PRESENTED WITH THIS CHECK	19 <u>8 10⁰⁰</u> To THE HUDSON CITY SAVINGS INSTITUTION, <small>OF HUDSON, N. Y.</small> Pay to <u>Peter Crook</u> or bearer, <u>Jen</u> Dollars, and charge my Pass Book No. <u>57.877</u> sent herewith. SIGN HERE <u>A. Merriman</u> Witness to Signature <u>H. B. Joy</u>
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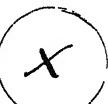
A SIMPLE AND CONCISE WITHDRAWAL BLANK

As a general rule, savings banks the country over contract with their depositors to pay, first, to the depositor *in person*; second, on the depositor's *order*; third, on the order of a duly authenticated *attorney* of the depositor; fourth, at death, to the *legal representative* of the depositor. And in all cases the possession of the book is necessary. But in over-zealousness to be philanthropic, some banks have also agreed to use "best efforts," "due care," "every precaution to prevent fraud," etc., but would, as stated above, pay upon presentment of the book. As a matter of law, payment made to one presenting the book is good if made with due care; but without, *it rarely will stand in court.** To continue this phase of the subject would afford a most interesting study, and one vital to savings bank management, and in itself would make a book.

With his signature cards in a cabinet numerically arranged (having been previously alphabetically indexed) the teller opens his little window and the crowd begins to move. But even with this equipment before him to make sure of paying the right money to the right party, he is liable to be deceived and pay erroneously. Let us pause and consider such a case. The first man up is, or claims to be, Owen Kenney. He could not write when he opened his account, but subsequently learned to write his name, and came to the bank for that purpose and placed his signature on the signature card. But this fellow is *not* Owen Kenney, but one by the name of Farley, who rooms with Owen, and who knows Owen's signature and can imitate it, and is also conversant with Owen's family history. He makes a fairly good piece of work out of the signature and *answers all the questions correctly*. He does this *seven* times before Owen discovers that his book is missing (and Farley, too,) and goes to the bank, only to learn that both he and the bank have been deceived in Mr. Farley. But under the circumstances, the bank was sustained, for what more could it do than it had done? A bank is not bound to know the *face* of every depositor, and must rely upon its records. It is not bound to use more than ordinary care to identify its people, and this it did, and the fact that Owen had a boarder who stole his book and drew his money is Owen's misfortune.

The test questions may be many or few, but there should

*See citations under "The bank and its depositors." Chapter 12.

DRAFT CLERK, BOOK-KEEPER.	No. 765,502
	2252
Received from THE BOWERY SAVINGS BANK	
	Cash, \$ 14.96
	Re-deposit,
	Balance,
	Interest, ✓
Name of Depositor	<i>Jonathan Edwards</i>
Witnessed by	<i>Samuel Sniles</i>
His  Mark	

NON-SIGNING DEPOSITORS' WITHDRAWAL BLANK

be enough to properly identify the depositor. Some banks take full details, such as color of eyes, hair, etc., while others take merely the names of parents, age, birthday, etc. This is a matter of choice. But banks in large cities, being unable to personally know all their people, must deal with each man and woman as a stranger, while in smaller places the personal equation may be brought into play.

THE PAYING TELLER.

As the money comes in, care need only be taken that it is good money, and the proper amount credited to the proper account; but when it comes to paying that money out, it is essential that not only the proper amount goes out, but that the *proper person* gets it. The Jew must not get the Gentile's money, nor the crook be allowed to work a fraud upon the honest man. Here is where tellers are really made.

As this was being written came the story in the daily papers of an attempt to snatch the money of a woman in one of the large New York savings banks, and when the

WITHDRAWALS

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thief was caught and searched, a pass book, raised from \$20.00 to \$20,000 was found on his person. No teller would ever have paid on such a blunder, for the limit was then \$3,000* in New York, and no well informed swindler would ever have tried to work such a fraud.

In order to minimize errors, some savings banks hold the tellers responsible for all *shortages*, but do not permit them to retain the *overs*. This naturally penalizes carelessness; but whether it is better to penalize than to work upon

 Write in this corner the amount you wish to draw, in plain figures;  dollars above the word "Dollars," cents above the word "Cents" 	<p>New York, 19</p> <p>Union Dime Savings Bank, Pay on Book Number</p> <p><i>to bearer</i> Dollar</p> <p><i>and this shall be your receipt.</i></p> <p>Signature,</p> <p>WITNESS</p> <p>Individually or as Trustee as the book reads</p> <p>ADDRESS</p> <p style="text-align: center;">3 2 1 0</p>	<p>We cannot pay without the Book.</p> <p>The Number is on the Cover of the Book.</p> <p>Write here the Amount very plainly in WORDS.</p> <p>Always sign as you did at first.</p>
<p>The Pass book must be presented with the above draft, and the signature (whether by writing or mark) must be made before a Notary Public, who will sign and seal the following Certificate</p>		
<p><i>State of _____ County of _____, ss</i></p> <p><i>I certify that the above draft was signed, in my presence,</i></p> <p><i>by, _____ who is personally known to me, and</i></p> <p><i>was fully identified to me as a depositor named in said pass-book.</i></p>		
<p>[SEAL]</p>		

WITHDRAWAL FORM WITH NOTARY'S ACKNOWLEDGEMENT.

honor, is an open question. One of the largest of the New York savings banks abandoned this practice a few years ago and refunded to the tellers all shortages charged against them.

The work of paying teller in a small bank resolves itself simply into drawing up the check or receipt for the depositor (savings banks usually fill out their own checks), having it properly signed and paying over the money. In

*Now \$7,500.

such banks comparison with the signature record is not always required, as the depositors are more or less well known to the bank officials, or soon become so. There is no red tape nor any necessity for the routine required in larger banks.

However this may be, whenever there is any doubt, the signature should be compared carefully, *and the test questions asked*. This is amply sustained in law and is not only good law, but equally good banking.*

Some institutions use receipts; others, regular checks. Which is the better is a matter of opinion. The one

THE PATERSON SAVINGS INSTITUTION.

DRAFT.

DATE	BOOK No. <u>37978</u>
NAME <u>Samuel Sampson</u>	
AMOUNT, \$ <u>892.60</u>	

POSTED, B.

CLERK AT DESK,

ENTERED, K.

NO MISTAKING THIS FOR A DEPOSIT SLIP.

is an order, while the other is an ordinary receipt. One would not require endorsement under any conditions, while the check, if drawn to any other person than bearer, would require endorsement to be complete.

It is quite a common practice to give a proper form of withdrawal in the pass book, for the guidance of depositors who cannot come in person, and yet in spite of such instructions, many quaint and humorous orders to pay are received.

*See Geitelsohn v. Citizens Sav. Bank. N. Y. Sav. Bank Cases, p. 117.

New York, _____ 19

THE BOWERY SAVINGS BANK.

28 and 130 BOWERY, NEW YORK.

Pay to Peter C. Cooper or Bearer,
Seven Dollars,
and charge to my account No. 700.698.
\$10⁰⁰

Alexander Small

STATE OF New York

COUNTY OF New York

THE BOWERY SAVINGS BANK

ss.

On this Third day of July one thousand
nine hundred and nine before me Mariah Heep
a Notary Public in and for the County of New York, State of New York
personally appeared Alexander Small
to me known and known to me to be the individual described in, and who execut-
ed the foregoing order on THE BOWERY SAVINGS BANK, and acknowledged to
me that he executed the same for the purpose stated therein; and further ac-
knowledged that he was unable to write his signature because of
broken arm.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
official seal, on the day and year above written.

Mariah Heep



COUNTY CLERK'S CERTIFICATE MUST BE ATTACHED.

As in previous chapters it has been the intention to show how the work is actually done in various institutions of this kind, rather than to advance any personal ideas in the matter, the work of paying money in several representative institutions is herewith given in detail.

HOME SAVINGS BANK, BOSTON

In the Home Savings Bank, Boston, withdrawal receipts are printed showing various amounts, \$5.00, \$10.00, \$15.00. The uniformity as well as the plainness of the printed figures simplifies to a considerable degree the bank's work and saves time all around.

The receipt and stub, after being filled out by the clerk, with the number of the account and the amount, are handed to the depositor for the signature and address.

While the depositor is signing, the passbook is compared with the ledger card, and if any interest is due, the amount is entered thereon.

After the receipt has been signed, the stub is detached and handed to the depositor with instructions to present it to the paying teller.

While the depositor is proceeding to the proper window, the signature on the receipt is verified, and if it corresponds with that in the files, the receipt is initialed by the clerk and

IDENTIFICATION CHECK

Book No. 90.9
THE PATERSON SAVINGS INSTITUTION.

**Present to PAYING TELLER when your
name is called.**

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The Passbook must be presented with this order.
If a trustee account, add the word "trustee" after the signature.

DOLLAR SAVINGS BANK.

PAY TO BEARER AND CHARGE PASSBOOK NO. 80.675

Sixty DOLLARS

DATE _____

SIGNATURE Chas. Cashdollar

DEPOSITOR'S PRESENT ADDRESS 55 E. 187 St. New York

DEPOSITOR'S AGE 32, FATHER'S FULL NAME Adams Cashdollar

BIRTHDAY Feb. 1, MOTHER'S FULL MAIDEN NAME Sophia Short

NOTE—This order is only to be used by Depositors who cannot come to the Bank and are unable to write. Some one who can write should fill out the check and write in the Depositor's name like this—Samuel His Smith or Mary Her Smith
The Depositor should then sign the order by making an X mark in the middle of the name in the presence of two responsible neighbors or persons known to the Bank, who should certify the fact to the Bank on the form below:

WE HEREBY CERTIFY TO THE DOLLAR SAVINGS BANK.

1st, That we saw the Depositor sign the above order on the date written.
2nd, That the Depositor named and described was fully identified to us.
3rd, That the Depositor was of sound mind at the time and knew the nature and amount of this order

NAME John Somebody

My PASSBOOK No. 50.873 ADDRESS 55 E. 187 St. NY

NAME John Nobody

My PASSBOOK No. 33.789 ADDRESS 57 E. 187 St. NY

WITHDRAWAL ORDER WITH CERTIFICATE OF WITNESS.

THE BANK BOOK MUST BE SENT WITH THIS ORDER.

Oxford 19 .80-

The Middletown Savings Bank, Middletown, Conn. When presented with book No 76.767

Pay {check to my order,} Raphael D. Black and charge said account
Eighty dollars and 00 cents

Have some other person than the one who is to get the money for you, sign as a witness

Owner of the book sign here.

WITNESS:
Sign here.

Mary White

ADDRESS ALL LETTERS TO
THE MIDDLETOWN SAVINGS BANK.

10 M 10-66

WITHDRAWAL ORDER WHEN DEPOSITOR DOES NOT COME IN PERSON.

the book passed to the paying teller. He pays over the money and returns the book to the depositor.

If the withdrawal is by order, the bearer or person authorized to draw is instructed to sign as follows:

H. Wendell Prout
by C. M. Spencer
75 Tremont St., Boston

If the account stands in the name of a person as trustee, guardian, conservator, etc., the depositor is instructed to so sign the receipt, *i. e.*, just as the book reads.

BALTIMORE.

In the Eutaw Savings Bank, of Baltimore, the assistant paying teller ascertains the amount desired by the depositor; enters number of pass book and amount on ticket, and hands to depositor for his signature; deducts amount withdrawn from pass book; enters on sectional register *from pass book* number, name and amount, and passes book and ticket to paying teller.

The paying teller receives the pass book with ticket order from his assistant, verifies signature, pays out all money, enters amount of payment in scratcher from *ticket*. In settlement, the footings of scratcher must agree with the totals of the assistant's sectional sheets.

BOSTON.

In the Wildey Savings Bank of Boston the system of withdrawals is as follows: The paying teller takes deposit book (with order, if any,) and after verifying book by comparison with ledger card (verifying signature also, by comparison with signature card, if withdrawal is by order), enters on slip the book number, balance, and sum to be withdrawn, strikes new balance and hands slip to depositor (or person authorized by order) for signature.

While depositor is signing, counts money to be paid and on return of slip verifies signature, enters withdrawal on deposit book and hands book and money to depositor. The slip is then hung on hook at side of window. The withdrawals are listed, posted and proved the same as the deposits.

DATE.	SLIP NUMBER.		
	A 85500		
WILDEY SAVINGS BANK.			
WITHDRAWAL.			
Book No. <u>76200</u>			
Check Number.	Balance,	876	15
	Withdrawn,	7615	
	New Balance,	800	-
Received the sum entered above as "withdrawn."			
Sign here } <u>William B. Goode</u>			
Teller's List:		Posted. <input checked="" type="checkbox"/>	

WITHDRAWAL ORDER WITH PROOF OF BALANCE.

Form 72.

<u>505.</u>	
Date: _____	
Name <u>William Penn</u>	
No. <u>989989</u>	

NOT NEGOTIABLE. PAYABLE ONLY TO-DAY AT DESK NO. 2.

\$50.00	Principal	5	Interest	Philadelphia, _____
<u>5</u>				
<u>\$505</u>	Total			

Received from The Western Saving Fund Society of Philadelphia
OFFICE "A"

Five hundred five Dollars
of the money standing to my credit, on my Deposit Book No. 989989

William Penn

FOLIO 375

ANOTHER WITHDRAWAL ORDER WITH STUB.

All entries on the slips (except signature of depositor on withdrawal slip) *are made by the tellers*, to avoid the different varieties of handwriting (especially in figures) and the errors that might be caused thereby.

GREENWICH, NEW YORK, SAVINGS BANK

On either side of the paying teller's cage are draft tellers who inquire from the depositor when he presents book, the amount of his withdrawal. He is given a receipt to sign for that amount. After verification of signature, the entry is made and balance brought down on bank book, which is passed over to the journal clerk who is directly behind the paying teller's cage. The journal clerk records the number of account, name, draft amount and balance. The ticket and book are then passed on to paying teller who pays the amount. The ticket is stamped with date and number, listed and retained by him until his day's work is proved.

NOTICE OF WITHDRAWAL.

Inasmuch as all savings banks reserve the right to ask notice before payment, and some banks, notably in Pennsylvania and Delaware, *enforce this rule*, the manner of keeping track of such notices will be interesting. We quote from the Philadelphia Savings Fund Society, the oldest savings bank in the United States, and whose accounts number over two hundred and fifty thousand:

"Two weeks' notice is required for the withdrawal of money. Depositors desiring to give notice of withdrawal, present their pass book at notice desk, stating amount wanted, or send notice by mail, for which blank forms are furnished. The notice clerk fills out duplex payment slips (carbon copy used) for the amount, number of account and date when due. These slips are arranged numerically, compared with ledger account and filed in paying department, ready for payment when due.

"At the expiration of two weeks the depositor presents his bank book at paying desk, the already prepared payment slip is handed for the signature, while the detached duplicate is initialed by clerk, who takes the receipt, and from these duplicates the debit postings are verified; postings are made from the originals.

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The Passbook must be presented with this order.
If a trustee account, add the word "trustee" after the signature.

DOLLAR SAVINGS BANK.

PAY TO BEARER AND CHARGE PASSBOOK NO. 37.689

One hundred

DOLLARS

SIGNATURE

Samuel Sampson

DEPOSITOR'S PRESENT ADDRESS 426 E. 125 St. N.Y.

DEPOSITOR'S AGE 37 FATHER'S FULL NAME John Sampson

BIRTHDAY Feb 2. MOTHER'S FULL MAIDEN NAME Maria Ahlborn

STATE OF New York COUNTY OF New York S.S.

On this 15th day of Feb. 19. - the Depositor above described was fully identified to me and signed the above order in my presence, and at the time was of sound mind and knew the nature and amount of this order.

NOTARY'S
SEAL

A. J. Lawyer

NOTE—This order is only to be used by Depositors who cannot come to the Bank and are unable to write. It should be filled out by a Notary Public

NOTARY'S CERTIFICATE, WITH PROVISION FOR TEST QUESTIONS.

We, the undersigned, acknowledge to have received of the BANGOR SAVINGS BANK, of Bangor, Maine, the amounts set against our names respectively, in payment, in part or in full, of sums deposited in said Bank in our names or subject to our control.

DATE	No. of Acct	AMOUNT	Dollars	Cts	SIGNATURE
Aug 10	75767	Amount brought forward	20	87	6 09
-	65372	Fifty	50	00	Maria Ahlborn
-	56762	Kin 10	10	00	Susan Sawyer
		One hundred	100	00	Bryant O'Neill

SOME BANKS USE A "BIG BOOK" IN MAKING PAYMENTS. HERE IS ONE.

"If the depositor wishes to close the account (draw the full amount), the procedure is about the same, with the exception that the book has to be left for the addition of interest, a card bearing the number of the account is given the depositor, who presents it when payment is to be made.

"After the receipt has been signed and the amount entered in book, the depositor presents the same at paying teller's window, and is paid the money. All receipts are

<p>In Consideration of the sum of <u>Fifty</u> Dollars, to me in hand paid, the receipt whereof is hereby acknowledged I do hereby assign, set over, transfer, and deliver to <u>W. J. Bryan</u> of <u>Sea Cliff</u> State of New Jersey, all my right, title and interest as <u>Beneficiary</u> of the Estate of <u>Moses Altgood</u> in and to all moneys now on deposit in the name of the said <u>Moses Altgood</u> late of <u>Long Branch</u> in the Hoboken Bank for Savings, in the City of Hoboken, N. J., and represented by Bank Book No <u>81-888</u> of said Bank. Dated at <u>Long Branch</u> this <u>fifth</u> day of <u>August</u> STATE OF <u>New Jersey</u> COUNTY OF <u>Bergen</u> Lillian Altgood L S On this <u>fifth</u> day of <u>August</u> of <u>19</u> before me came <u>Lillian Altgood</u> known to me and to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same for the purposes therein set forth. Seal of Notary. Notary or Commissioner must attach Certificate of his appointment. </p>	
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ASSIGNMENT OF SAVINGS BANK PASS BOOK.

stamped numerically with the initial of teller and listed on an adding machine, which serves as paying teller's cash book. From these the debit postings are made and verified by the duplicates as stated above."

GOOD SUGGESTIONS.

The foregoing systems are representative of those in operation in the large banks, and while it is admitted that

the small banks do not require so elaborate a routine, there are many good suggestions embodied therein that may be adapted to small banks. On account of the cost necessitated by additional clerk hire, the passing of a deposit or draft through more than one hand is quite out of the question in the country bank, but in the city bank, with the multitude of transactions, it is essential if errors are to be avoided, especially in the rush periods. The system should be complete and comprehensive, but not so much so that it becomes unwieldy, and the mill should at all times grind smoothly.

In every withdrawal the points to be emphasized are as follows:

First, the signature should be compared and test questions asked unless the depositor is personally known to the teller and known to be the owner of the book.

Second, the pass book ought to be compared at every entry and the balance verified with the ledger.

Third, the entry should be made with great care and compared with the draft or receipt, *by another clerk*, if possible, and the extension of the balance, if a balance book is used, as is now becoming the rule, should be verified in some way to avoid misunderstanding and annoyance later.

The importance of the second and third points will be seen in the following instance: Upon making an entry, the teller of a savings bank extended the balance \$500 too much. It was not detected at the time, and the pass book appeared among the depositor's effects at his death, shortly afterward, and the erroneous balance was inventoried in the Probate Court. By a curious coincidence, a like error was made by another bank on a book belonging to the same depositor. This was also inventoried without verification by the bank, and subsequently, upon presenting the book for the entry of interest, by the administrator, the error,—in fact, both errors were detected. The chagrin and annoyance caused by these two mistakes can readily be imagined. And while the administrator finally became reconciled to the lesser balance, *which could have been easily proven by himself*, he has never become quite convinced but that somehow and somewhere the banks have defrauded him. That is the worst feature, and perhaps the only criticism, of the balance pass book. The depositor is apt to

consider the amount shown in the balance column to be correct, and an error in extending is likely to cause trouble. *For this reason it is essential that the balance be verified before returning the book.*

No two men think alike, and no two act alike, and bank men are no exception. The foregoing systems are given merely as describing in brief the manner of handling debits and credits, and not to advocate any one of the systems outlined. Bank men desiring a change of method or system are prone to go shopping around among other

WITHDRAWAL		<i>48.885</i>
PORTSMOUTH SAVINGS BANK		\$ 352 <i>50</i>
Name on Book		100
<i>Maria Ashdown</i>		
Received of the Portsmouth Savings Bank the amount hereon, withdrawn from above account in accordance with the terms upon which the same was deposited.		
Sign here	<i>Maria Ashdown</i>	

Library Bureau G-3948		

CARD FORM OF WITHDRAWAL, 3x5 INCHES.

institutions, and when they find a scheme that suits their fancy, adopt it without further investigation. In some instances they get good results and in others are disappointed in the end. What meets the need of one bank may not work so well in another. The better way is to get a composite idea of what others do and then adapt it to fit the existing system. Evolve rather than revolutionize. A big bank needs one system; a small one, another. What would work well in the Bowery would be too costly and too elaborate for the modest country bank, which must use one man in many places and for many purposes. It is a fine art to adapt an *idea*, and the banker who is progressive and

desirous of running his bank with the most efficient methods must carefully consider how a new system will adapt itself to his needs. As a matter of fact, most systems are the result of much experimenting and long experience, and the secret lies in discovering how well an idea can be carried out in the peculiar environment in which it must operate.

CHAPTER XV

MACHINE ACCOUNTING IN THE SAVINGS BANK*

Under the old method the depositor presents the pass book at the window. The teller writes the amount of the deposit in the book, and hands the book back to the customer. The customer is perfectly satisfied because the receipt in the pass book is made by an employee of the bank.

Bankers everywhere admit that the weakest link in the bank's system exists at this point. This is true because the control of the receipt of the money is entirely in the hands of the teller who has taken the money from the customer.

The teller does not need to put the money through any further. He can borrow the money for a week, or for two weeks. If he wishes, he can use the bank's money to speculate, returning the amount at a later date with money taken in at that time.

There is no real connection in the bank between the date recorded in the customer's pass book and the date on the ledger card. The bank has no control. It may be that the tellers are thoroughly covered by bonds. It would not be good business if every employee were not covered by bonds, or the bank covered by a blanket bond.

On the other hand, however, the publicity of a defalcation will affect the good standing of any bank in the community for a long time. The customers knowing of the defalcation will think that a bank lax enough to allow a teller to appropriate money might be just as lax in other matters.

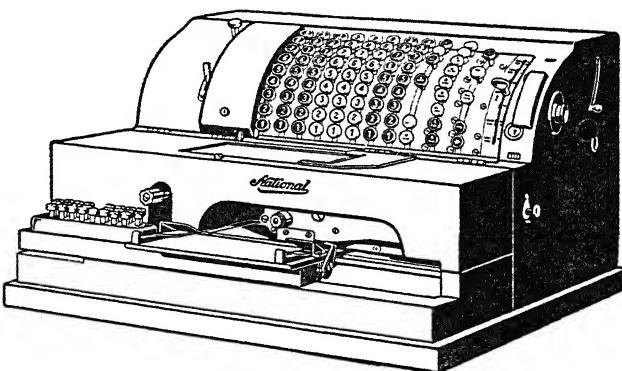
Another pen and ink method practiced by some banks provides for passing each deposit through two tellers. The customer presents the pass book. The first teller counts the cash, initials the deposit slip, and passes the deposit slip and book to an adjoining teller where the book is posted and handed to the depositor.

The teller requires proper identification that the pass

*By courtesy National Cash Register Co., Dayton, Ohio.

book is given to the right depositor. This usually causes undue publicity of the amount deposited or withdrawn. In some banks the first teller gives the depositor a numerical identification which the depositor presents to the second teller to get the book, such as an aluminum check device. Some banks tell the depositor to sit down and wait until they hear the number called.

These represent a few steps taken by banks to accomplish just one thing, and that is to prevent the man who received the money from having complete control over the money. These things are not done to increase service to the depositor. As a matter of fact, it is surprising that depositors do not complain of such treatment, yet such plans are practiced in a great many banks.



THE NATIONAL BANK-POSTING MACHINE, MANUFACTURED BY
THE NATIONAL CASH REGISTER COMPANY

The Savings Account Posting Machine provides more than the equivalent of another teller. This is true because the second teller has been known to cooperate with the first teller. Furthermore, cases have been known where the first man has written the deposit in the pass book and handed the book to the customer at the source, deliberately stealing the money.

The teller can do this by telling the customer that it will save time. The customer feels satisfied because the first teller has written the entry in the pass book, and it is unnecessary to go to another window and stand in line. The increased service pleases the customer.

Under the old method after the work is completed in

the teller's cage, there is just as much work remaining to be done behind the scenes by another employee of the bank. This is the work of posting the deposits and withdrawals to the ledger.

The machine accomplishes the ledger posting as a by-product of the entry into the depositor's pass book.

Under the present method it is necessary for someone to make a journalization of the day's business. The machine furnishes a complete journal sheet automatically.

At the same time the pass book and ledger card posting and the journalization is accomplished, the machine automatically controls the teller's deposits. This is true because the amount is locked up in the deposit keys. It is beyond the power of the tellers to tell how much money is charged to them, or to remove the amount from the machine.

After the first interest credit is made to any savings account the balance is always an odd figure. It is more difficult to subtract from odd figures than from even figures. To the machine this means nothing. The mental hazard is taken away from the teller which enables him to handle deposits and withdrawals more accurately than before.

Protection of the pass book and ledger card entry is an important consideration in the savings bank. This is true because in most defalcations the money received from the depositor is withheld from the bank, but the depositor is credited with the proper amount in the pass book.

Small and sometimes large losses occur in this way. For this reason it is important that every safeguard be afforded the men who receive and pay out money on savings deposits and withdrawals as well as safeguarding the bank and the depositor.

Every bank owes its employees a reasonable measure of protection against temptation.

The machine method furnishes an element of protection which benefits the savings banker, the depositor, and the teller.

The banker knows that every transaction is carefully checked, that the bank's funds are protected against mistakes and carelessness. The work is done in the most economical manner.

The depositor secures fast service together with absolute accuracy and safety in the handling of his money.

The teller is relieved of much detail work. He is free

CONTROL AIR SHUTOFF VALVE

BLEED AIR VALVE

PRESSURE RELIEF VALVE

CABIN PRESSURE SYSTEM

VALVE

PRESSURE GAUGE

COCKPIT

REGULATOR

FILTER

THE UPPER ILLUSTRATION SHOWS A VARIETY OF FORMS FOR BOTH MACHINE POSTING AND PEN POSTING LEDGERS AS USED IN THE "X" AND "E" STANDING STEEL CARD LEDGER DESKS. THE LOWER ILLUSTRATION SHOWS "OUT" CARDS TO KEEP A CHECK ON FILE, NUMERICAL GUIDES FOR SAVINGS BANK LEDGERS, "STOP PAYMENT" FOLDERS THAT ARE PLACED OVER LEDGER CARDS WHERE STOP PAYMENT IS DESIRED.

to devote most of his time to handling transactions with depositors.

The mere depression of the amount keys and the striking of the motor bar when recording a deposit or withdrawal are not sufficient to operate the machine. The machine is inoperative until some control key is depressed. In this way the machine forces the teller to charge himself with every amount posted.

The control keys are connected with individual adding counters inside the machine which are beyond the control of the teller. The bank secures a control of these totals by locking up the leverway.

It is impossible to get beyond the balance position of the leverway without having access to the leverway. The leverway is locked with a key which is in the possession of an officer of the bank throughout the business day.

The key is an ordinary flat key. Inasmuch as it is important that the bank has absolute evidence that this key has not been turned in the absence of an officer, the machine has a detector counter attached to this key.

Every time the key is turned, the counter advances one more position. A proper record of the detector number by an officer each time the leverway is locked furnishes perfect evidence that the key has not been turned during the interval.

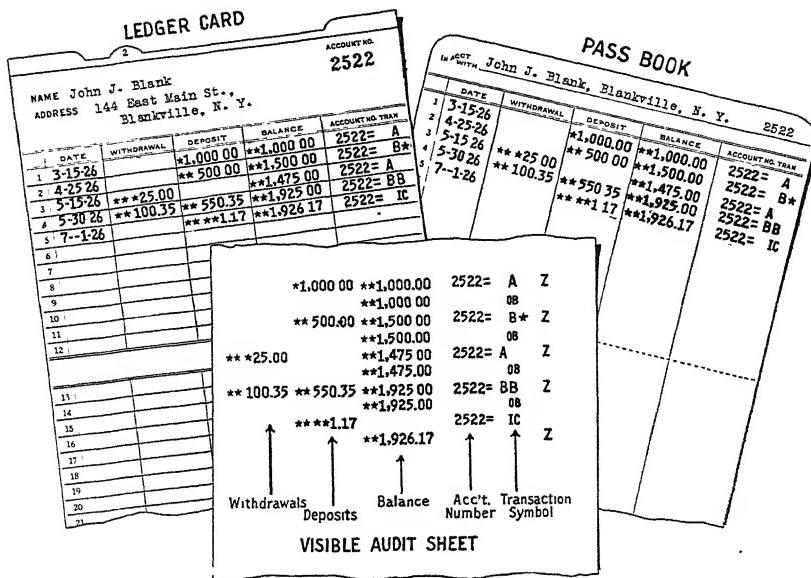
The journal sheet furnishes a complete record of everything which has taken place during the process of the day. Each time the machine is operated it prints on the journal.

The journal sheet cannot be turned backward to strike over an entry already printed. The hood enclosing the journal sheet provides the control which prevents any such practice.

The hood is equipped with a lock with detector counter, so that when the key is turned the detector counter is advanced. In this way the bank has absolute evidence that the journal sheet has not been changed since the original inspection.

The machine is provided with a piece of plate glass covering the journal sheet; hence the last 20 transactions on the record are visible without accessibility.

All of the printing is accomplished through one ribbon. The machine prints at one stroke on the pass book, ledger card, and journal sheet, so that the bank secures three original records without the use of carbon.



SHOWING LEDGER CARD, PASS BOOK AND VISIBLE AUDIT SHEET POSTED BY THE NATIONAL BANK-POSTING MACHINE, MANUFACTURED BY THE NATIONAL CASH REGISTER COMPANY

LEDGER CARD—The balance is automatically extended after each posting. Each entry is dated and identified by account number and teller's symbol, by the machine.

DEPOSITOR'S PASS Book—At the same time the ledger is posted the depositor's record is made. Entries on both records are identical.

VISIBLE AUDIT SHEET—A complete, detailed record of each posting is made on a strip of paper inside the machine. This Audit Sheet or Journal is a permanent record of all postings made during the day.

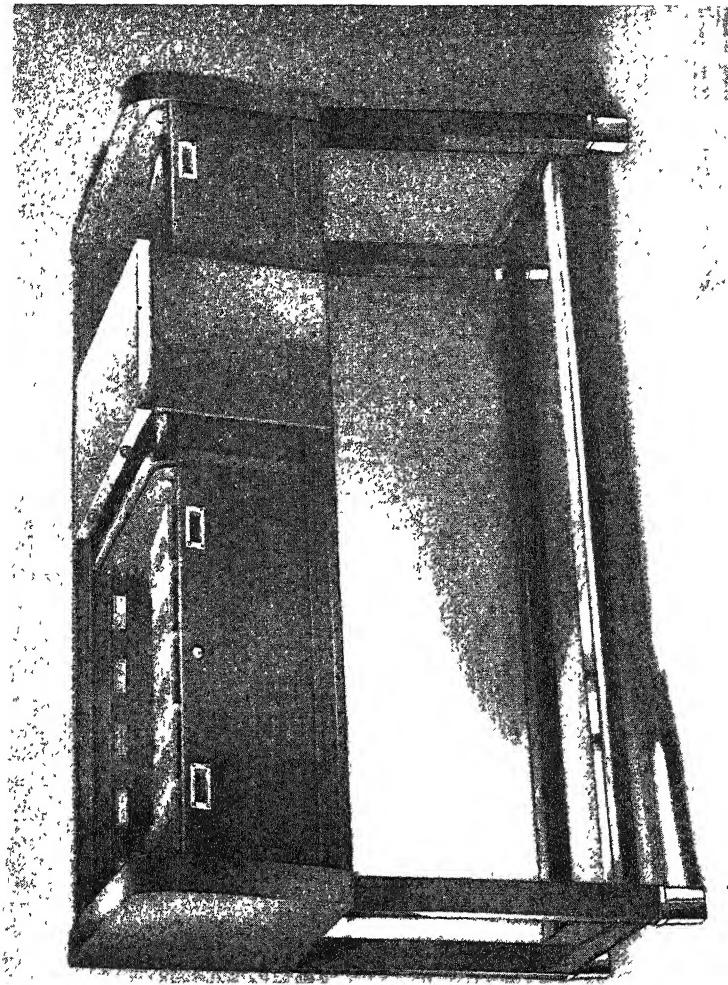
This record provides a convenient method of checking the correctness of the work and locating any error.

COLUMN SELECTION—Each amount is automatically printed in its correct column on all records. This is done without effort on the part of the operator. There is no tabulating necessary.

SEVERAL RECORDS MADE AT ONCE—All records are printed at the same operation. They must agree exactly. All records are original printings—no carbons. It is only necessary to prove one to prove the others.

The operator handling each transaction is identified by symbols on all records.

OVERDRAFTS—Overdrafts are extended automatically. They are clearly designated on the records by symbol.



"X AND E" STANDING STEEL LEDGER DESK ACCOMMODATING APPROXIMATELY 15,000 CARDS. (PHOTO BY
COURTESY OF THE YAWMAN AND ERBE MFG. CO., ROCHESTER, N. Y.

The transaction counters are located under the hood to the left. The counters indicate every time any one of the control keys are operated.

The machine has an individual transaction counter for each kind of transaction handled, so that in addition to having the information of how many customers Teller A and Teller B handled, the bank has a complete statistical record of the departmental activities.

These are interesting facts to have in any organization.

SAMPLE INSTALLATION

The First Wisconsin National Bank with approximately 50,000 savings accounts has an average daily activity of about 900 deposits and withdrawals.

The installation of four bank posting machines was completed during the early part of July 1926. The bank credits interest each June 1 and December 1. The installation was made between interest dates in order to avoid an unusually heavy activity at the start of the system.

The new ledger cards were prepared complete before the transfer. The bank assigned new account numbers to all open accounts, starting with account number one. The old account numbers were typed on the new cards for reference.

TRANSFERS OF ACCOUNTS

The transfer of accounts was made over a week end. Clerks from other departments in the bank assisted with the work. There were 50 clerks working on the transfer. The bank used approximately the same number of clerks to accomplish the job as there were ledger controls to transfer.

The procedure of transfer was to make each clerk responsible for transferring and balancing all of the accounts in one ledger control.

A list of the balances was run from the old ledger cards, taking sub-totals after each 200 cards. The grand total for the control had to agree with the balance of the control account for the ledger.

The balances were then forwarded to the new cards by hand. The amount of the balance was placed in the balance column on line one to eliminate the possibility of pen and ink figures in different positions above the column heading.

This causes difficulty in listing future trial balances because the correct balance on the card is hard to find.

A list of the balances was then run from the new cards, taking sub-totals after each 200 cards. The grand total for the control had to agree with the same total from the old cards, and with the balance of the control account for the ledger.

Sub-totals after each 200 cards assist in localizing errors.

NEW PASS BOOKS ISSUED AT OPEN COUNTER

The depositor was requested to secure a new pass book before depositing or withdrawing. The new pass books were issued at a special counter adjoining the savings teller's windows.

The records on file at the open counter were the old ledger cards and the new pass books. These were filled numerically, according to the old account numbers. The new books were opened to page one, and filed in front of the corresponding old ledger card.

The old pass book was balanced to date, cancelled, and returned to the depositor by the clerk at the counter. A small folder entitled "A New Service for Our Savings Depositors" explained the change, and accompanied the new pass book to the depositor.

The outside cover of the pass books are colored differently for each unit. This assists Guards in the lobby in directing depositors to the right window.

SYSTEM OF FOUR UNITS IN USE

The Savings Department of the First Wisconsin National Bank is made up of four units of accounts. One bank posting machine is provided for each unit.

The New Account unit handles all initial deposits on new savings accounts. The three remaining units handle all deposits and withdrawals on open accounts.

The machine posting in each of the three regular units is done by a machine operator who enters all deposits and withdrawals for three tellers.

Two boxes for pass books are placed on top of each machine. The IN box is for the pass book before the entry is made. The OUT box is for the pass book after the entry.

The procedure of posting in use is for the teller to drop

the pass book and deposit slip in the IN box on top of the machine.

The machine operator uses the account number on the pass book or the deposit ticket to pull the ledger card, and makes the entry complete.

The pass book and deposit slip are then dropped in the OUT box on top of the machine. The teller returns the pass book to the depositor. The deposit slip is retained by the teller for the daily balance.

The machine operator drops the ledger card in a numerical file for affected ledger cards where it remains until the end of the day.

A small posting ticket showing account number and amount accompanies the pass book to the machine operator on withdrawals. The machine operator enters the withdrawal complete from the posting ticket at the same time the teller is verifying the signature on the withdrawal slip.

AUDITOR'S CONTROL

At 3 P. M. each day a representative of the auditing department clears the machines, and removes the audit sheets.

The totals are cleared on Auditor's Report forms which show the controlling figures for deposits and withdrawals for each unit by tellers.

The teller's cash, daily card proof, and daily ticket proof must agree in grand total with the deposit and withdrawal totals on the Auditor's Report.

LEDGER CARD PROOF

The affected ledger cards are sorted numerically throughout the day as the posting is completed, and are ready for proving as soon as the bank closes.

The posting machine operator runs the old and new balances from the ledger cards, taking totals for each ledger control, and grand total for the unit.

The difference between old and new balances for each ledger control must agree with the difference between deposits and withdrawals for the same ledger control.

DEPOSITS AND WITHDRAWAL JOURNAL

The deposit and withdrawal slips from the three tellers in the unit are thrown together and sorted into numerical order.

One of the tellers lists the debit journal, taking totals for each ledger control, and grand totals for the unit. Another teller lists the credit journal, taking totals for each ledger control, and grand total for the unit.

GENERAL LEDGER RECAPITULATION

The proved totals of deposits and withdrawals for each unit are copied on a summary sheet which shows the daily total of deposits and withdrawals for the Savings Department.

The summary sheet goes to the general ledger bookkeeper where it is used to charge and credit the Savings Department with the total withdrawals and deposits for the day.

THE RESULTS OF MACHINE POSTING

The results of machine posting are summarized as follows:

More Accuracy

Unchangeable printed figures promote accuracy and prevent mistakes.

Each figure that is printed is added into the proper total at the time of entry and must be accounted for.

All records are made at the same time and must agree. This makes the proof easier and eliminates mistakes due to the copying of figures from one record to another.

Totals accumulated by the machine prove the correctness of the work. If an error has been made, it is quickly detected and located.

Easier Operation

The operation is simple and easy.

High-priced, specially-trained operators are not required.

Automatic features simplify the operation. Our users are not dependent on trained operators.

Less Expense

Mechanical features make posting easy and speedy. Less labor is required.

Work is eliminated by making several records at one time.

Quick and positive method of proof on the machine saves much time.

Better, more complete records make reference easier and save time.

It is possible to handle more accounts with fewer employees.

Protection

Locked totals in the machine assure absolute control over work.

Posting of pass book and ledger card simultaneously, with same set-up of keys, affords depositor proof that pass book and ledger card are the same.

It is impossible to change pass book or ledger card without storing a record of the change in some locked total on the machine.

Puts tellers above suspicion in the handling of their records.

Service

Enables bank to offer depositors more accurate and satisfactory service.

Pass books and ledgers always in balance. Does away with necessity of customer having to bring pass book in periodically for audit.

Depositors can be handled rapidly and without confusion.

Gives depositor a printed, legible record, and offers him the utmost in protection.

Greater Efficiency

Accounts are always balanced, always up to date. The amount of balance is shown at a glance.

All work is proved daily on the machine. You are assured the ledgers are accurate and in balance at all times.

Congestion of the work at trial balance and interest periods is eliminated.

CHAPTER XVI

MISCELLANEOUS DEPOSITS AND DRAFTS

In our treatment of the deposits and withdrawals in a savings bank, thus far, we have considered only those which are regular, that is, the depositor appearing in person with the pass book and the transaction being made in cash. But inasmuch as a great many transactions are what may be termed irregular, a clear idea of the procedure in such cases is necessary. The term "irregular" will include deposits by check, deposits without the book; deposits and withdrawals made by other than the depositor, deposits and drafts by mail, transfer of accounts, deceased persons' accounts, assignment of books, lost books, and stop orders. Chapters XVI-XIX cover these subjects.

"HOME MADE" ORDERS.

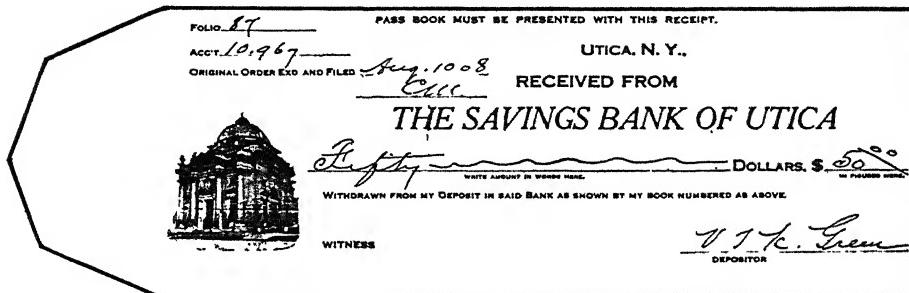
In spite of the fact that many savings banks are now including in the pass book a form of withdrawal, to be used by the depositors not coming in person, many "home made" orders are received, on all sorts of paper, and in all sorts of shapes and sizes. A savings bank in Michigan not only gives the proper form, but has several blank checks in the back of the book, perforated, for such cases, and this would seem to be an excellent idea, although adding somewhat to the cost of the book. It is not, however, customary among savings banks to encourage this practice, but rather to encourage over-the-counter-banking in person. The Savings Bank of Utica adopted a most excellent idea in this regard, in the form of an envelope about the size of an ordinary check, in which such home made orders may be filed without using pins or paper clips. The receipt of the one presenting the order is taken on the outside, and for filing it is much better than any idea yet come to the author's notice. As will be seen from a study of the form, it can be used for filing the original order, where an unlimited order is filed, and also for all subsequent orders. But this would not apply where banks are in the habit of filing by months, and not by account numbers.

Another bank has the same idea; but in this case the

envelope is *transparent* and the order can be inserted and read through the cover, while notations may be made on the outside, as needed. This, too, is a good idea.

THE NOTARY'S CERTIFICATE.

As has been stated before, a savings bank, unlike a bank of discount, is *not bound* to know the signatures of its depositors, but is bound to use ordinary care that payment is made to the proper person. And what is ordinary care will depend upon the circumstances. It would probably be true that the signature of the average savings bank depositor would not, alone, be a safe guide, for many such de-



ENVELOPE FOR GENERAL AND "HOME-MADE" ORDERS.

positors have not yet learned the commercial value of following one form of signature. To them, "Mrs. Smith" is as good as Mrs. Evelyn Brown Smith, as she originally signed herself. Here it is that the test questions become valuable and identification is not a difficult matter. But there are times when it is impossible for the depositor to come in person, or to fill out an order that will pass the test, as in sickness, accident, signature by mark, etc.

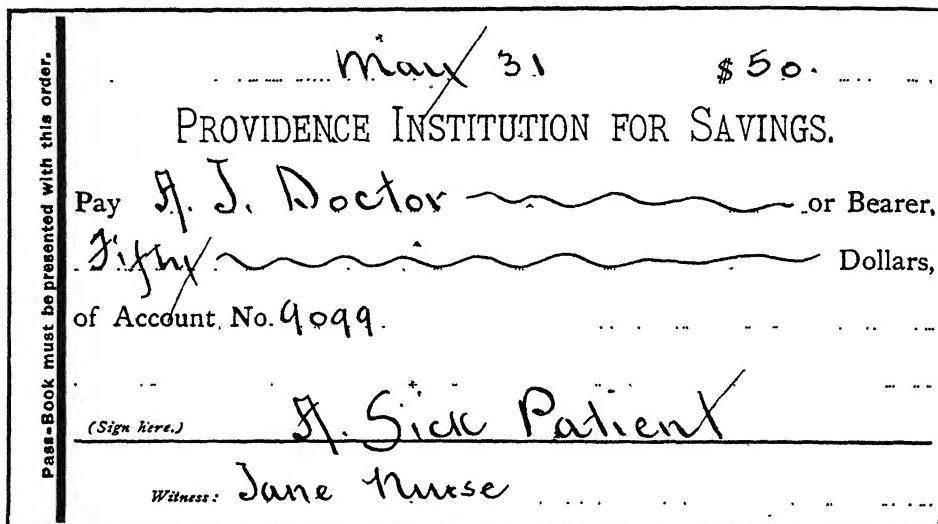
To meet such emergencies many good forms have been devised, and one is shown on page 237, used by the Bowery Savings Bank, New York, which is a combined order and Notary Public's certificate of the inability to write.

The Providence Institution for Savings, Providence, R. I., provides a physician's certificate for withdrawal in case of sickness, the certificate being printed on the reverse side of the order, making a compact and complete document.

DEPOSITS WITHOUT Book.

It is the custom in some banks to refuse to make *any* transaction without the book, except in cases of lost books,

where the presentation of the book is impossible; but in order to accommodate depositors who have forgotten the book or cannot obtain possession of it, many savings banks have proper blanks for such cases. The routine of the bank is upset somewhat on account of the necessity of obtaining the depositor's number from the indices. With the card system, this is not difficult. The usual procedure is to issue non-negotiable receipt for the amount, and in some banks



SICK PERSON'S ORDER.

note is made on the ledger that the deposit is not on the book. The surrender of the receipt is usually required before the entry will be made on the book.

The coupon form of receipt is the most desirable, as the stub can be detached and form the deposit ticket, and at the same time indicate to the posting clerk that the deposit is irregular and due note made opposite the entry. Such a form will answer in cases where deposits are made by one person for another. Such deposits are frequently made as birth-day gifts, etc., and the book being in possession of the donee, evidence is desirable that the deposit has been duly made. Withdrawals should not be permitted without the book, unless the reasons for so doing are most urgent and of sufficient importance to warrant the breaking of a rule which should, in so far as possible, *be strictly adhered to*.

CHAPTER XVII

DEPOSITS BY CHECK

Deposits by check in some banks are limited to checks drawn to the order of the bank direct, or to the order of the depositor, thus making him the first endorser.

Quite generally, care is taken not to pay out funds until collection of the check has been made, and to avoid risk, such deposits must remain for from five to thirty days. Some banks only take checks drawn on local institutions, as for instance banks clearing through the New York Clearing House. Each bank may make such rules as seem wise in the light of experience, but whatever the rule, a record should be kept of every check handled, and should be complete enough to describe the check so that in case of loss it may be replaced by a duplicate.

It is also a good idea to so mark the deposit by check that it will be quickly distinguishable by the teller; as for instance, placing the words "check—days" opposite the entry, and the time can be filled in according to the time consumed in making collection. In some places, as New York, three days would be sufficient, while out-of-town checks will take longer. The importance of having check deposits marked for identification is well illustrated by the following instance: Upon receiving a deposit of this character, no mark was made opposite the deposit, under the rule that no payments would be made on new accounts under thirty days. The depositor went out and assigned the book for value to an innocent party, who had no notice of the restriction. The check was protested and charged back. In due time the assignee presented his book with proper assignment and demanded his money. The bank of course refused to pay, and was only protected by its other rule that assignments to be valid must be ratified by the bank. But here was an innocent holder of an apparently genuine document which said there was a certain amount standing to the credit of a savings bank depositor for which value had been given—a rather delicate situ-

List of Checks Deposited by HOME SAVINGS BANK

Date	MATERIAL	LAST ENDOSPERM	WHERE DRAWN ON	REASON CARRIED	NO.
10/20/01	W. G. Jones	W. G. Swift	Green to Go	n/a	10175
10/20/01	J. C. Clegg	D. Fletcher	Red Coys	2752	carried
10/20/01	J. C. Clegg	Scot Brown	Elmington to	6720	5th Child
10/20/01	J. C. Clegg	Scot Brown	Elmington to		

CHECK REGISTER WITH DEPOSIT TICKET ATTACHED.

ation! This matter of check deposits is usually covered in the by-laws, or should be, representative wordings of which will be found in chapter X.

The Williamsburgh Savings Bank of Brooklyn accepts checks in the same manner as cash, requiring only that

they be drawn to the order of *depositor* or to the *bank direct*. The Eutaw Savings Bank of Baltimore also freely accepts checks, exercising due care that payment is not made before collection. So, also, the Connecticut Savings Bank of New Haven, Western Savings Fund Society of Philadelphia, and others. The Provident Institution for Savings in Boston, however, has a rule that check deposits must remain at least thirty days. The Bowery Savings Bank requires check deposits to remain at least five days. Such a rule is entirely just and is in force in many institutions throughout the country. One bank in New York has a by-law as follows: "Checks or drafts, when credited as cash, will only be received for the account of the depositor, and at the depositor's risk, and every depositor will be held responsible as an endorser upon all checks or drafts so deposited. The number of the deposit book must be noted on all checks or drafts deposited." The usual custom is to deposit such items in banks of discount for collection and not make collections direct.

The importance of having a record of all checks handled, the restriction as to the number of endorsers and the *inadvisability of accepting checks promiscuously* will be seen from the following cases, of recent happening in New York savings banks: A check bearing several endorsements was received on deposit by a savings bank, and duly credited to the depositor and sent for collection in the due course of business through the depository bank, with endorsement guaranteed, with instructions to advise payment. Upon receipt of favorable advice the bank permitted the depositor to close the account. A few days later advice came from the drawee bank that the first endorsement was a forgery, as the check had been stolen from the mail, and the bank would demand reimbursement from the savings bank. The savings bank having lost its hold upon the depositor and having been unable to locate him or prior endorsers, had to stand the loss.

Another instance was as follows: A woman deposited a check with but one endorsement, which was put through the usual course, but was lost in the mails. The collecting bank asked for a duplicate. The savings bank having no other record than the name of the depositor from whom the item was received, went to her and asked for assistance

in locating the maker. She knew nothing of the check, save that her husband had given it to her, and neither he nor she could remember whose check it was. Without going into the legal status of either case, suffice it to say, the latter bank would have been saved considerable trouble and annoyance if it had had a complete record of the check, and the former would have saved itself some money had it more closely restricted check deposits from persons not well known.

If an elaborate system of check records is not deemed necessary, part of the details can be taken on the deposit

CHECKS ON OTHER BANKS AND

WHEN RECEIVED	DRAWER	DRAWEE	CHECK NUMBER	OUR NUMBER	AMOUNT
Nov 10	A. B. Swift	John joyful	325	6752	9000
"	Sam'l. Grimes	Jeff. Bloody	19	6753	1000
"	H. T. Brown	J. B. Box	767	6754	10000
"	H. T. Brown	E. Brown	76	6755	8075
"	Young Jones	John Smith	1012	6756	50000
"	Cougar and Custer Co.				10000

OTHER ITEMS RECEIVED AS CASH

FROM WHOM RECEIVED	NO. OF % CREDITED	HOW DISPOSED OF	REMARKS
Bessie Brown	100%	Not Ex.	
Sabby Stark	100%	Alley. In Co	
N. Salleyman	0%		
Robt. Fulton	100%	January 29, 1909	
B. B. Faust	21.00%	" " "	
Mary Hawe	100%	" " "	For collection Registered mail

CHECK REGISTER. LOWER PORTION GOES OPPOSITE UPPER PORTION.

slip of the savings bank and the other data on the duplicate slip sent to the depositary bank. The Providence Institution for Savings, Providence, R. I., has a system of this kind, which operates as follows:

"When the amount is in check form, we make out ticket under the word 'Deposit' by filling in *present* address of depositor; the name of *maker* of check; on what bank drawn; to whose order drawn; and the amount of check.

"Initials of clerk who looks up endorsement are placed under 'End. O. K.'

"When check is made to the order of a person other than the depositor, we accept it for deposit, provided we know the endorsement, and when we verify endorsement by signature from an account in this institution, we put the

number of that account on line under 'Old Acct.'; if that person's account is still open, we cross out the word 'Old.'

The check register shown herewith is very good. It gives a complete history of every check handled by the bank, and while it is attended with some labor, and the information contained therein not often required, the readiness with which checks can be traced when necessary more than repays for the labor involved in making the daily records.

DATE,	<u> </u>	
NO.	<u>808-952</u>	
NAME,	<u>Roger Williams</u>	
<i>\$2.00 Home Savings Institution for Savings</i>		
DEPOSIT.		
Residence,	<u>28 Elm Ave</u>	
J.B. Graham	<u> </u>	
On	<u>Old Colony Svc</u>	<u>End. O.K</u>
Order	<u>D.B. Jackson</u>	<u>H.B</u>
Amt	<u>2.00</u>	Old Acct.
	No. _____	

DEPOSIT TICKET WITH PROVISION FOR MEMO OF CHECKS RECEIVED.

In using the form of the Home Savings Bank (shown on page 262) as the checks are received on deposit, the number of the account is noted on the back for the purpose of listing on the check register, and no other record need be made than the number of the account, as the deposit slip will verify the transaction in case verification should become necessary. If desired, the deposit ticket at the right of the perforations can be transposed and the checks set opposite the items in the main sheet, and extended at the same time; or, it can be arranged to fold under

BOOK NO. <u>8096</u>	BOOK NO. <u>8096</u>
WOONSOCKET, R. I.	PAYING TELLER, INDUSTRIAL TRUST CO., WOONSOCKET BRANCH WILL PLEASE PAY TO BEARER
RECEIVED OF Woonsocket Institution for Savings,	
<u>Seventy five</u> <small>100</small> DOLLARS, & \$75 ⁰⁰	
OF MONEY STANDING TO MY CREDIT.	
WITNESS _____	
PAYABLE THIS DAY	

WITHDRAWAL RECEIPT, TO BE PAID THROUGH ANOTHER BANK—SEE STUB.

and used with a carbon and the two records made at the same time. But as this was intended primarily for a check register and incidentally as a deposit ticket, the standard form of the latter was followed.

Withdrawal	\$ <u>110.00</u>
Book No. <u>75672</u>	\$ <u>110.00</u>
Name <u>Sarah Scott</u>	Acct. <u>Bridget or Sarah Scott</u>
Trans. to _____	RECEIVED OF
Paid by <u>SC</u>	Connecticut Savings Bank
182	OF NEW HAVEN
Transfer to _____	
One hundred Dollars	
Sign here <u>Sarah Scott</u> .	
New Haven, Conn. _____ - 19	

WITHDRAWAL RECEIPT WITH STUB.

CHAPTER XVIII

GENERAL ORDERS AND IDENTIFICATION

"The man with a camera eye," who, having once seen a face never forgets it, and who will pick his man out of a thousand, and whom disguises and the changes resulting from age cannot deceive, makes a good detective; but that "camera eye" would make him an equally good hotel clerk or bank teller, especially a savings bank teller, whose function it is to deal with the multitudes and not get them confused. The teller in the bank of discount deals with a limited few, and frequently; the savings bank teller deals with thousands, and infrequently; and to photograph mentally every depositor would be a feat only for those with camera eyes; and these worthy gentlemen are scarce. In fact, the savings bank does not ask its tellers to identify the depositor *in person*, for back of him is a cabinet full of cards, and with such an outfit he is ready for all comers.

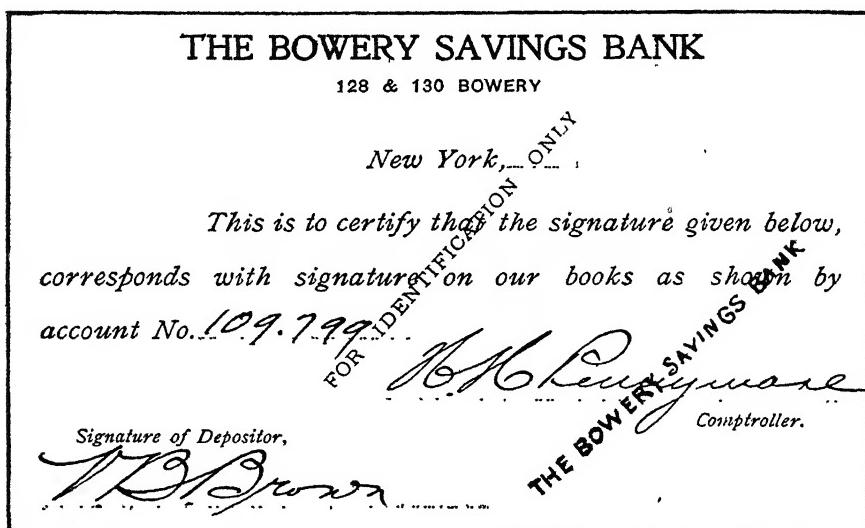
As before stated, it answers every purpose of practical banking and every requirement of the law which holds savings banks to due care in making payment, if the signature is one that would pass an ordinarily careful man, and the test questions are answered correctly, and the foregoing is all the identification required. But in some instances it is impossible to obtain a signature, and without the aid of an interpreter the test questions cannot be recorded. But with the advent of the Finger Print System and its wide adoption by banks in all parts of the country, we now have the only infallible test for illiterates; and having passed the testing period and proven to be the test *par excellence*, it is now recognized as the only safe method of identifying those who cannot respond to the usual procedure.*

IDENTIFICATION.

There are other and frequently better methods of identification than the mere signature, as important as this may

*See chapter on Finger Print Identification.

be. The family history is a valuable help, for the one who would and could forge the signature might not be able to furnish the other details of family record. One large bank in New York requires all depositors upon withdrawing money to give the present residence at the bottom of the order. When the signature is compared, this is noticed, and if the address has changed, note is made of the same. This is a very good idea, for while several cases are on record where money was fraudulently drawn by answering all the test questions and signing the name correctly, it is



extremely doubtful if the holder of the book in these instances could have given off-hand the former addresses of the depositor, especially if they had frequently changed. The fellow who obtained possession of James Wall's book on the Emigrant Industrial Savings Bank, and by writing to Wall, ascertained his pedigree, even going so far as to ask the name of the ship he came over in, (which formed part of the identification questions), and thus fortified, managed to get Wall's money by his familiarity with these facts, would have had difficulty in telling where James Wall had lived if he had moved from time to time.

There are little factors in identification that often are safe, and save the depositor considerable trouble. In the

first place, if the depositor writes poorly, if he has a scar of any sort that is permanent, this is a good test; also if there is a peculiarity about him that is noticeable. Registered

<i>No</i> _____ UNION DIME SAVINGS BANK, 701 6th Avenue, Corner 40th Street New York, N.Y. _____ 19 <i>A Certificate is requested from</i> <i>as to the correctness of the following signature of</i> <div style="text-align: center; margin-top: 10px;">  </div> <i>who</i> _____ <i>hereby certify that the above signature</i> <small>(ADDRESSED AND STAMPED ENVELOPE INCLOSED)</small>

VERIFICATION OF SIGNATURE.

letters addressed to the depositor, initials in hat, marks on clothing, monograms on jewelry, etc., often play important parts in the process of identification.

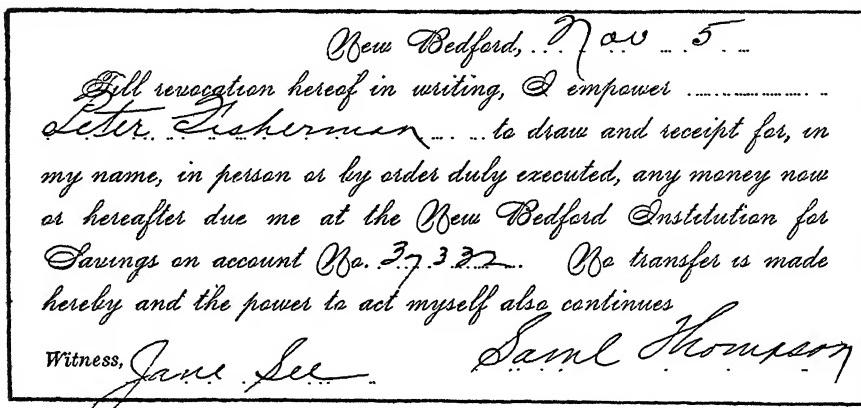
CITY INSTITUTION FOR SAVINGS. LOWELL, MASS. TO THE TREASURER: UNTIL OTHERWISE ORDERED PLEASE MAIL ME CHECK FOR DIVIDENDS AS THEY BECOME DUE ON BOOK NO. <i>37852</i> <i>Mary Ann Jones</i> <small>(SIGN NAME)</small> <i>Sara Brown</i> <small>(ADDRESS)</small> <small>WITNESS:</small> PERMANENT ORDER.

BLANKET ORDER FOR DIVIDENDS.

But frequently other and better tests are desirable, as where the signature is radically different (as is often the case), and where other lines of identification are unsatisfactory or impossible. In such cases it is customary to ask other banks in which he may have account to verify his signature, and recognizing that they may also ask like favors, the request is usually granted. Some banks have proper forms for this purpose.

GENERAL ORDERS.

There are numerous reasons why two names should be on a pass book,—reasons connected with death, sickness,



GENERAL ORDER FOR WITHDRAWAL.

absence from home, convenience, gifts of money, etc. And the public has been duly educated to the value of such accounts. There are also reasons why the owner of the property should retain absolute control over the same as long as he lives. There are likewise good and sufficient reasons why one having a single name account should permit another to draw practically at will against it, yet not have any interest in the funds on deposit before or after death. Frequently old people or those living at a distance from the bank prefer to entrust the drawing of money to some member of the family, a relative, or an attorney.

In order to vest another with power to draw money from a savings bank, one of three courses may be taken: First, the change of the account to a joint or trust form,

Know all Men by these Presents,

That I *Mary E. Penn*

Depositor No. 76789 with the WESTERN SAVING FUND SOCIETY OF PHILADELPHIA, have made, constituted and appointed, and by these presents do make, constitute and appoint *William Penn* to be my true and lawful attorney for me and in my name to ask, demand and receive from the said Society, ~~all~~ of the money standing to my credit on the books of the said Society, and upon receipt thereof, or any part thereof, in my name to execute and deliver to the said Society good and sufficient receipts or acquittances for the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal
the thirtieth day of September A.D.

(Depositor sign here)

Mary Penn



Sealed and delivered in the presence of us:

Witnesses to
depositor's
signature
sign here.
 1 *Solomon Saver* }
 2 *Mary Shultz* }

N. B.—The pass-book of the depositor must be presented at the office at the time of demanding payment, unless previously left thereat for settlement.

POWER OF ATTORNEY.

losing the old and opening the new account. Second, le a general or unlimited order with the bank. Third, similar to the second method, is by power of attorney. ank would not, in law, be bound to recognize a simple ket order and allow the holder to draw at will, but ld be obliged to recognize such a wish by a power of rney properly drawn.

A general order is to all intents and purposes an order the balance in full, payable as directed to the one au-

thorized to draw. The order is, of course, revokable. At times, a depositor will be convenienceed by giving another power to draw dividends only. In Massachusetts, under the insurance law, the banks are permitted to charge the premiums against the depositor's account. This, of course, would not need authority from the depositor to make the charges.

POWERS OF ATTORNEY.

But in the matter of power of attorney, the bank *is bound to know that the power is revoked by the death of the depositor*, and such orders are necessarily accompanied with some risk. In the case of Hoffman vs. Union Dime Savings Bank (*New York Savings Bank Cases*, p. 62), probably the best power of attorney case, so far as savings banks are concerned, in the New York courts, it was held that unless the holder of the power was vested with some interest in the fund that caused it to survive the death of the principal, the power was revoked instantly upon the death of the depositor. The bank, therefore, should have made inquiry *if the principal was alive before making payment*, and in failing to do so, assumed the risk of establishing in the holder such interest as caused the power to survive.

After a long contest in the courts the bank was able to show such an interest, and payment was finally sustained, but the case twice went against the bank. When such orders are filed, more than ordinary care should be taken to ascertain the fact that the depositor is still alive before making payment.

The proper thing to do in the matter of powers of attorney is, of course, to make notation on the signature card, "Power of Attorney in William Smith. See files." Filed among the powers of attorney will be this document. Banks not having to refer to the signature at every transaction could make notation on the ledger account. And in all cases this might be done on the pass book in lead pencil. The signature of the one holding the power should also be taken, as a matter of identification. Where the account is closed by one transaction, proper identification only would be necessary.

Where a general order is filed in "home-made style," as, for instance, "Please let my sister Emma draw whatever money she wants on my account, and oblige, etc.," and the bank cares to recognize such orders, an envelope the size of the ordinary check would come into play, and the order could be inserted therein, with reference to the same on the account. Where the filing is done by accounts and not by months and days, the general order may be filed in its proper place and all subsequent orders attached thereto.

On account of the annoyance caused by these general orders, many banks refuse to honor them, and insist upon changing the account. Powers of attorney, in the light of the Hoffman case, surely ought to be avoided as much as possible. A little argument is all that is necessary to show the depositor the wisdom of doing some things, and he is usually agreeable to anything that will accomplish the result desired. And a joint or trust account will usually answer every purpose and fully protect the bank.

CHAPTER XIX

ALTERATION OF PASS BOOKS AND TRANSFER OF ACCOUNTS

A savings bank pass book, once issued should never be altered. It is liable to lead to complications and should not be encouraged. Not that a loss or a law suit will follow, as a matter of course, but law suits have arisen over just such matters. As to the addition of a name, this is not attended with as much risk as an erasure, and is practised to a greater or less degree in a great number of banks, and many have forms for such purposes. Frequently savings bank officials are asked to add names to existing accounts, or to alter single name accounts to joint or trust accounts or vice versa. It is always advisable when such alterations are made, that the authority for so doing should be clearly stated and filed for reference.

Frequently a bank is asked to alter a savings bank pass book in order to defeat the operation of law. For instance: A depositor having a balance of about \$600 was sued for damages sustained by a workman injured in his employ. Having a son by the same name, he asked the bank to add "Jr." to his name, making it appear that it was the boy's money. This, of course, the bank refused to do, and for good and sufficient reasons. But as a remedy the bank suggested that he withdraw his money.

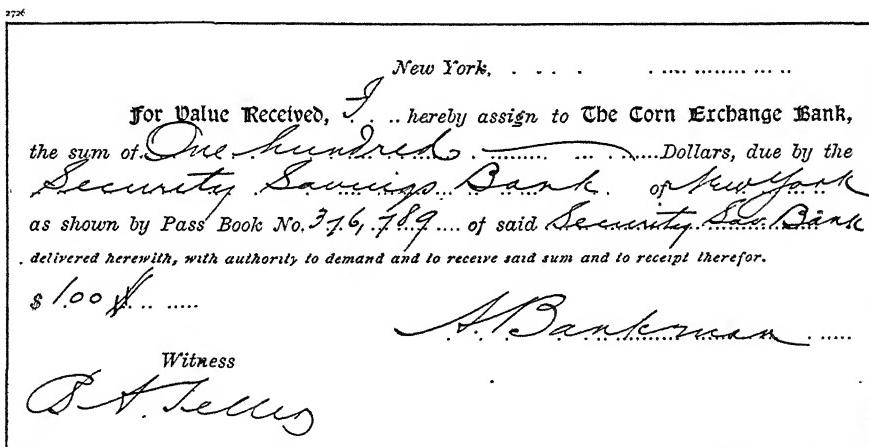
The case of Kelly vs. Beeres (194 N. Y., 49), one of the most exhaustive of the "Joint Account Cases," in the New York courts, arose in a large measure over such alterations. The depositor had accounts in several savings banks, in single name accounts, and had them altered to either joint or trust accounts for her daughter. The deceased depositor left a will disposing of her deposits in the various banks, by which the daughter was to receive about \$7,000, while the deposits totaled \$9,878, and action was brought to test the legality of these alterations and changes, which the daughter successfully sustained on the ground that the mother had

intended to create joint ownership in these moneys and the intent being clear, no particular formula was required for so doing.

CHANGE OF NAME.

The only addition to a book, about which there can be no question, is in the case of women who marry, and desire to retain the old book. In such cases it is entirely proper to add the marriage name, as for instance: "Lillian P. King now Fisher."

But erasure or crossing out of names is quite a different matter and should *never be practiced*. It is frequently re-



ASSIGNMENT OF PASS BOOK.

quested, and often for good and sufficient reasons, but the account should be closed and a new account opened, thus making a self-explanatory transaction.

Two cases in the New York courts illustrate this point. In one, that of Beaver vs. Beaver (117 N. Y., 421), the account was opened by the father "for" the son. The son's name was erased from the book, but by whom and when, did not appear. Action was brought by the representatives of the son, after the death of both father and son, to recover the money so deposited, and while the erasure did not materially affect the outcome, it was an act that was open to dispute.

In the famous Totten case (*Matter of Totten*, New York Savings Bank Cases No. 22), a trust account was altered by erasure, and when carried forward to a new number in the ledger of the bank, the account was headed without the erased portion. This also had but little effect on the final outcome, but the questions always arise in such instances: Who made this erasure? When was it done and by whose authority? What was the intent in opening an account in one form and by erasing a name, changing the character of the account, and what is the result upon the party whose name is thus cancelled? It is much safer in

The Corn Exchange Bank,	
<i>New York,</i>	
<i>To Security Sav Bank</i>	
<i>Please take notice that we hold Pass Book No. 376.789</i> <i>of your institution in name of A. Bauckman with assignment and</i> <i>check for \$100 - as collateral on loan made with us.</i>	
<i>We will notify you when loan has been paid.</i> <small>THE CORN EXCHANGE BANK.</small>	
<i>Specimen signature of depositor.</i>	<i>S. S. Smith</i> <i>Hastings</i> <small>Manager.</small> <small>BRANCH.</small>
<small>IF SPECIMEN SIGNATURE DOES NOT AGREE WITH RECORDED SIGNATURE OF DEPOSITOR, KINDLY NOTIFY US AT ONCE AT OUR EXPENSE.</small>	

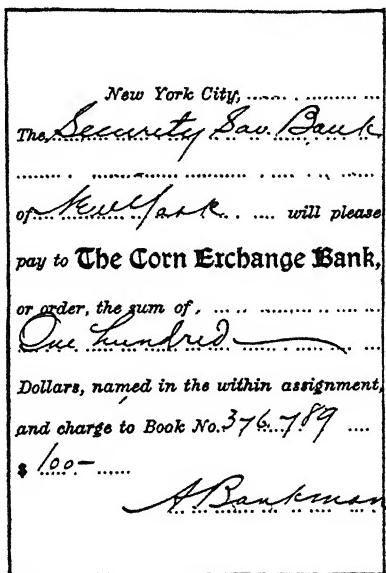
NOTICE OF ASSIGNMENT OF PASS BOOK.

law and much better banking to take the depositor's receipt in full for the amount, issue a new book, and no question can arise,—provided, of course, the one making the withdrawal has the right to do so.

TRANSFER OF PASS BOOKS.

Transfers of pass books, being essentially deposits and withdrawals, except in cases where names are added to the book, are usually treated precisely as cash transactions and put through the usual course, although some banks make these a separate record, and do not put through the cash anything that is not cash. Inasmuch as these transfers generally carry interest, it is advisable to have some provision for "distributing" the amount transferred at the time, so

that reference to the old account will not be necessary when the next dividend is computed. Notation is made on the new account and no other reference is necessary to properly compute the interest. Transfers are not always attended with accrued interest, as for instance in transferring to those having no previous interest in the account. Banks make



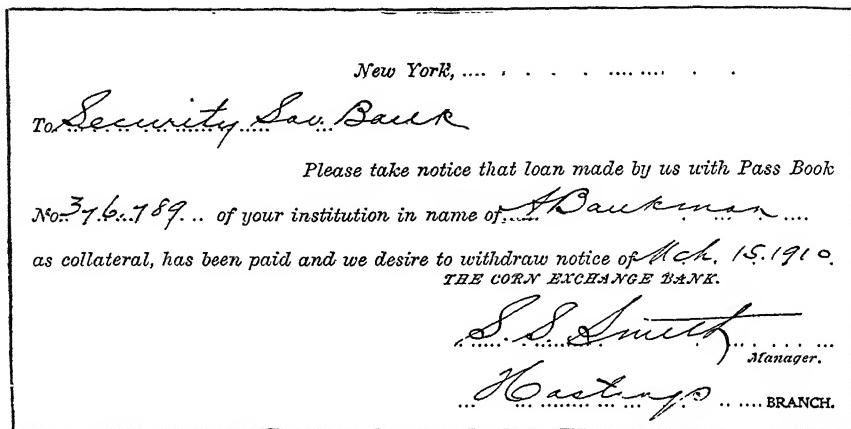
ORDER ON SAVINGS BANK TAKEN WITH ASSIGNMENT

their own rules in such cases, but the usual custom is to allow interest where the ownership of the book is not materially changed, or the funds are not disturbed. Some banks even go so far as to allow interest if the funds withdrawn are re-deposited the same day. And this would seem to be fair.

The addition of a name, making the same a joint account, with like privileges to each depositor, which alters, materially, the original contract of deposit, should have a clear-cut order and be explicit in its intent.

ASSIGNMENTS.

Assignments of books are not to be encouraged. Some banks will not recognize pass book assignments, and still others require that the transaction be made at the bank.



WITHDRAWAL OF ASSIGNMENT NOTICE

Such assignments are frequently made in large cities in real estate and other business transactions, and especially during the closing months of the interest period when to withdraw the funds would sacrifice the accrued interest. Hence many commercial banks accept such security without hesitation. One bank at one period held over \$200,000 of such loans, with books scattered all over New York, as security. The form used by the Corn Exchange Bank of New York, is quite complete, and is worthy of wide adoption. Where the transaction is between a depositor and a bank of discount the risk is nil, but when made between private parties, there is room for gross frauds.

This matter of assignments presents one or two fine points of law, upon which the cases in the courts are not over-numerous. Whether or no a savings bank may make a rule that *no pass book can be assigned*, or will not rec-

CREDIT Deposit No. 57,320		
<i>S. S. Smith</i>		
Transferred from	Size	50
No. 37,702	Five	-
	Four	10
	Three	-
	Two	20
	One	-
	None	10
		90

\$92 -

Norwich, Conn. No. 57,320

The Chelsea Savings Bank,
NORWICH, CONN.

Transfer to Deposit Account of *S. S. Smith* *Mary Jones* Dollars.

and charge to my account, Deposit Book, No. 37,702

Witnessed by *Mary Jones* Sign here *Mary Jones*

Mary Jones

ognize any assignment, does not seem to have been judicially determined, at least in New York. But a pass book, being evidence of ownership, while not *negotiable*, is doubtless assignable like any other evidence of debt. But since a bank may make reasonable rules for its protection, it is

TRANSFER	
DATE,	
NO.	<i>88877</i>
	NAME, <i>Peter Jones</i>
\$	500 .6 MOS
\$	100 .3 MOS
\$	50 NOT ON INT
\$	650
FROM No <i>37875</i> NEW BEDFORD FOR SAVINGS INSTITUTION	
TELLER,	<i>A. Paul Stevens</i>

TRANSFER OF ACCOUNT WITH INTEREST DISTRIBUTION.

probably true that the courts would sustain a by-law to the effect that notice of assignments must be given the bank. And this for the same reason that stock in corporations, while transferable from hand to hand, is not binding upon the corporation unless duly endorsed upon the records of the corporation.

Where, however, the assignment, through fraud, is for more than the amount due, the assignee would take no better title to the funds than had his principal, and could only claim that which was due the depositor. He could, however, if obstreperous, make trouble for the bank, and the free transfer of pass books is not, and should not be encouraged. But many banks provide for such transfers by proper blanks.

ALBANY, July 10 19

Albany Exchange Savings Bank,
OF ALBANY, N. Y.

TRANSFER to new account, in Albany Exchange Savings Bank, in my name
Two hundred Dollars,
the balance of deposit account, as per accompanying Pass-book No. 10.873 ...
to which said new account, please add the name of Mariette Williams ...
as owner and creditor with myself of all moneys deposited this day, or of all money which may hereafter be deposited in said
Albany Exchange Savings Bank under said new account, together with all the interest which may hereafter be credited to the said
new account, with full authority for each, or either of us, or the survivor of us, to draw out from the said Bank, the whole or any
part of such moneys or such interest. I hereby certify that the joint owner with me of said deposit account, No. 10.873 ...
is still living.
\$ 500- .. John Williams

TRANSFER OF ACCOUNT. NOTE FINE PRINT.

DECEASED PERSONS.

Accounts of deceased persons are attended with somewhat elaborate ceremony. The contract of the bank is to pay "the legal representative," and who the duly authenticated legal representative is, must be duly ascertained. Where the amount involved is small, the custom, more or less general, is to pay to the family for burial expenses, etc., and in such cases proof of death, proper releases, etc., are required. In New York, all savings bank accounts are affected by the inheritance tax law, and the consent of the State Tax Commission must be obtained before making payment. But this is such a lengthy and important subject that it is reserved for extensive treatment by itself. Suffice

City Institution for Savings

Lowell, Mass.,

To the Treasurer:

Sir: For value received I hereby transfer, assign, and set over to
Pauline Fischer all my rights, title, and interest in
Book No. 35757 B. B. Small
Witness: O. J. Fischer

for the present to give the rules of the Union Dime Savings Bank, which appear on the back of the order used in such cases, giving the procedure required. This is typical of the custom prevailing in the New York savings banks:

CHARLESTOWN,	
<p>For Value Received, I hereby assign, transfer and set over unto <u>J. D. Johnson</u> Deposit Book No. <u>18787</u> issued by the CHARLESTOWN FIVE CENTS SAVINGS BANK to myself together with all monies now due thereon, subject to the By-Laws of said Bank.</p>	
<p>Signed and sealed Oct. 10. 09. in presence of <u>C. J. Swift</u> } <u>H. J. Brandon</u></p>	

ASSIGNMENT.

REQUIREMENTS FOR TRANSFERRING THE ACCOUNT OF A DECEASED PERSON.

1. The pass-book.
2. Certificate of appointment of executors or administrators. If not known at the bank, their signatures should be endorsed on the certificate and verified by a bank officer or notary public.
3. Waiver from the State Tax Commission as to tax.
4. This transfer blank signed by the administrator or executor at the word "Signature."
5. Specimen signatures of executors or administrators on Form A, for attaching to our books.
6. Please state how many names are required for drawing.

REQUIREMENTS FOR TRANSFERRING A TRUST ACCOUNT TO THE BENEFICIARY.

1. The pass-book.
2. This transfer blank signed at the word "Signature."
 - (a) by the trustee, if living;
 - (b) if deceased, by the beneficiary.
3. In case of death of the trustee, a death certificate from the public authorities, or other satisfactory evidence of death.

4. Specimen signatures properly identified of the beneficiary on Form A, for attaching to our books and cards.
5. The trustee can transfer the account *only* to the beneficiary originally named.

LOST BOOKS.

Having a clear idea of how and to whom, and under what conditions and restrictions savings banks pay money, let us close this part with a brief review of the procedure when, for various reasons, such as lost or stolen books, ad-

No. 0700	<u>PAYMENT STOPPED</u>
NAME <i>D. A. Taft</i>	
Book Lost <i>Oct. 2, 1908</i>	
Attached	-----
Collateral	-----

Date <i>Nov 3 1908</i>	Settled
MECHANICS SAVINGS BANK, HARTFORD	

STOP PAYMENT MEMO.

verse claimants, etc., the account is placed under notice not to pay.

The loss of a savings bank pass book is an easy matter, and of common occurrence. It is doubtful if any feature of savings bank management, aside from deceased persons' accounts, is attended with more annoyance than is the matter of lost books. For the owner, it means anxiety, delay, notice to bank, advertising expense, affidavit or bond, as the case may be, and a search of likely places in which the loss may have occurred. For the bank, it means explanation, search of the indices for account number, stop order, preparation of the advertisement, and often the payment of the bill, the drawing of the bond or affidavit and the closing of the old account and the opening of the new. Many banks make no charge for all this, except the advertising, attending to the details as a matter of courtesy. Most banks have forms for the several steps, which will be reserved for another chapter, tracing in detail the procedure in cases of lost books and issue of new ones, or payment of the money, which amounts to the same thing.

It is quite the universal practice to require that notice of lost books be immediately filed with the bank, and instructions to this effect are to be found on practically all pass books of such institutions. And the depositors are quick to do so, as many are fearful that the loss of the book means the loss of the money.

The situation is materially different when, through theft, the book gets into the wrong hands, and fraud is perpetrated on both bank and depositor. Due notice cannot, therefore, be promptly given, and the bank is frequently at the mercy of crooks.

MISTAKEN IDENTITY.

Even in small banks, where many of the depositors are personally known to the officers, frauds may be perpetrated, through mistaken identity, as will be illustrated by the following instance: A German by the name of Schmidt had an account in a savings bank, and like many of this race was a frequent depositor. He had a brother who resembled him in many ways. In due time several drafts were made on the account, each time being accompanied with explanations and apologies. The frequency of the withdrawals becoming suspicious, the teller called attention of the true depositor to the balance (which he never verified), and immediately discovered that he had been paying the brother, thinking he was the owner of the book. The perpetrator of the fraud was given his choice between a charge of fraud and forgery, or restitution, and wisely chose the latter. It was simply a

UNION SQUARE SAVINGS BANK

Formerly INSTITUTION FOR THE SAVINGS OF MERCHANTS' CLERKS

NO. 20 UNION SQUARE, NEW YORK

*Pay, by opening New Account with same title as before, the Balance due, and
charge the same to Passbook No. 75...329...sent herewith.*

Dated

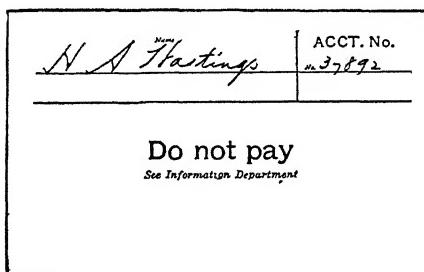
(Signature) Robert Merchant

Form 10-156 M-1-45

case of mistaken identity; but had the signatures been compared, the scheme would have been uncovered at the beginning. But this was an unusual case, and in large institutions, where the personal element does not enter, would not have gone through.

STOP ORDERS ON LOST BOOKS.

The first step in the case of a lost book is to lodge with the bank written notice of the loss of the book, and to stop payment on the account. In order to do this, the first essential is, of course, to make notation, where attention will be called to the fact that the account is under stop



STOP CARD.

order, and to look into the matter before payment is made. The usual method in commercial banks in the case of stop payments on checks is to have a register of such items for the teller's use, and such orders must be more or less a matter of memory, with the register as a guide; but in savings banks, notation can be made on the ledger account, where the old style ledger is used, and where the card is in force (as it is in most banks and eventually will be in all), a card with distinctive color can be inserted with the ledger card; or better, attached to it with paper clip, and it thus stands as a railway trainman waving a red flag at the teller to go slow at this point, there is danger ahead. He therefore looks up the letter file, or information department, or whatever may be referred to on the card and ascertains why payment should not be made.

Other reasons than the loss of the book will tie up an account, as, for instance, disputed ownership, writ of attachment, hypothecating the book as collateral security, etc.

And where such attachments or notices not to pay are filed, it is always safe to follow them, even in the case of joint or trust accounts, until the matter can be settled between the disputants.

The case of *Mulcahey vs. Emigrant Industrial Savings Bank* arose from a payment made *contrary* to a stop order. The account was in joint names, and upon the death of one of the parties, the other joint depositor notified the bank "not to pay her money" to the wife of the deceased

REDEPOSIT
DATE, <u>Mar. 10.</u>
NO. <u>350.876</u>
NAME, <u>Silas Greenback</u>
<hr/>
\$ <u>100</u> - 6 Mos
\$ <u>50</u> - 3 Mos.
\$ <u>25</u> NOT ON INT
\$ <u>175</u>
FROM NO. <u>325.968</u>

REDEPOSIT.

depositor, "when she should come to the bank with the pass book." Disregarding the notice, the bank paid the holder of the book upon presentation of the same with letters of administration. The ruling of the court was, in substance, that having paid to the legal representative of the deceased depositor, the bank assumed the hazard of being compelled to pay again to the living joint depositor, upon her establishing her actual right to the funds; and properly, the case was one for an interpleader in which the respective rights of the claimants could be judicially determined. The proper

procedure in such a case would be to pay the money into court and let the court decide upon the ownership. (Mulcahey vs. Emigrant Industrial Savings Bank, New York Savings Bank Cases, p. 39.)

Likewise the case of Clark vs. Saugerties Savings Bank came about through failure of the bank to heed the injunction "not to pay the money to anyone but herself." Disregarding this notice also, the bank paid a draft of \$500, signed by the husband of the depositor, upon his statement that the wife had sent him, by issuing a check to the depositor's order and then permitting the husband to endorse

WRIT OF ATTACHMENT.	
Name	B D Williams
No 19972 Amt of Acct \$	62.08 Amt Attached \$ 375.
Served Oct 9.09	Returned Nov 9.09
Plaintiff B.B. Blank	Attorney J. Lawyer
Remarks	See letter

WRIT OF ATTACHMENT NOTICE.

the wife's name "as by her authority," by mark duly witnessed. The bank lost in this case. (N. Y. Sav. Bank Cases, p. 55.)

Frequently in family quarrels bank accounts become involved, especially joint accounts, and the bank is notified not to pay the other. The contract usually is to pay either, and until notice it has a perfect right to do so, but in such instances it is always wise to refuse to pay either without the signature of the other, or to ask for a caveat against the account, thus legally tying it up, or to pay the money into court and let the disputants settle the controversy among themselves. Frequently, if the matter is held up for a little time, the affair will adjust itself. Some banks ask the legal notice of withdrawal and notify the warring factions that if they do not get together before that time it will pay to certain parties, and that usually ends in a settlement. In one New York bank notice is given the interested parties that *unless suit is brought to determine the ownership within thirty days*, the bank will take a certain course, and experience demonstrates that time is the great healer of such disputes.

CHAPTER XX

THE TELLER AND HIS CASH

By law, all banks of discount, and in some States, stock savings banks, are required to carry a minimum cash reserve and the character of that reserve is usually stipulated. But mutual or trustee savings banks are not, as a rule, restricted as to the *minimum*, but quite generally a *maximum* reserve is named. The character of that reserve (or to speak more correctly, available fund), is not defined, and usually consists largely of bank credits. The amount of such credits in other banks is also limited, but as to the cash on hand, it is a matter of judgment, and is left to the discretion of the bank officials. Thus, in national banks, a certain percentage of their deposits must be kept with the Federal Reserve Bank of the district and as much or as little in the bank vaults as needs may require. Until the advent of the Federal Reserve System national banks were required to keep a certain percentage of reserve on hand and also a certain percentage on deposit with reserve agents, and national bank notes could not form a part of the cash reserve fund. State banks and trust companies are also required to keep stipulated reserves, national bank notes forming a part thereof.

In savings banks, however, the intent is that no great part of the funds shall be allowed to accumulate in depository banks, but shall be kept profitably employed. This is in keeping with their function as investment institutions.

ANY KIND OF MONEY—BUT GOOD.

The teller of the commercial bank must concern himself not only with the *amount* of cash on hand, but the *variety*, and formerly in a national bank had to keep the different kinds of money separate. The teller of a savings bank, however, need not worry about the varieties of money, and can give due attention that it shall all be good money and correct in amount. It matters nothing to him what

CASH RECORD, Thursday

CHECKS AND OTHER ITEMS HELD AS CASH		CASH ITEMS.*	AMOUNT
OLE NUMBER	AMOUNT		
		Currency in Safe,	1 0 0 0 0 0 0
		" " Drawer,	3 2 5 0 0 0
		" " received during the day,	8 7 8 2 0 0
		Gold Coin in Safe,	3 2 0 0 0 0
		" " Tray,	5 0 0 0 0 0
		" " received during the day,	7 5 0 0 0 0
		Silver Coin in Safe,	2 3 0 0 0 0
		" " Tray,	9 5 6 2 0 2
		" " received during the day,	1 8 0 0 0 0
		Other Minor Coin in Safe,	8 7 5 0 0 0
		" " " Tray,	7 9 6 0 0 0
		" " received during the day,	3 5 2 0 0 0
		Total Currency and Coin on Hand	2 1 8 4 0 8 5
		Checks and other items held as Cash,	2 0 2 5 0 0
		TOTAL CASH ON HAND.	2 1 8 6 5 8 5
BALANCES ON DEPOSIT IN BANKS OR TRUST COMPANIES*			
		NATIONAL EXCHANGE BANK,	1 0 7 6 2 5 9
		MERCANTILE TRUST COMPANY	8 7 5 7 0 9
		ALBANY TRUST COMPANY,	2 5 0 7 6 1 9
		FIRST NATIONAL BANK,	4 0 7 6 7 0 2
		TOTAL CASH ON HAND AND IN BANKS OR TRUST CO'S.*	1 2 0 2 2 8 7 4

PROOF OF CASH ON HAND.

General Cash Balance,*	2 1 8 6 5 8 5
Total Cash on hand,*	2 1 8 6 5 8 5
<i>This space for noting difference, if any, in cash, and correction of same</i>	

SUMMARY OF TRANSACTIONS WITH DEPOSITORS FOR THE PERIOD		
BEGINNING	(AT OPENING OF BUSINESS), AND ENDING THIS DATE.*	
Amount due Depositors at the beginning of the period.	5 0 7 6 8 9 2 0 9	
" received from Depositors during the period,	2 9 7 6 8 0 1 1	
" of Interest credited to Depositors during the period,	1 0 5 7 6 2 0 5	
Amount paid to Depositors during the period.	5 8 0 5 4 2 2 1 5	
" due Depositors this date,*	1 7 6 7 0 9	
Number of Depositors' Accounts open at the beginning of the period	1 0 7 6 2	
" " " " opened or re-opened during the period,	8 5	
Number of Depositors' Accounts closed during the period,	1 0 8 4 7	
" " " " open this date *	5 3	
Number of Deposits received during the period,	1 0 7 9 4	
" " Payments to Depositors during the period,	8 9 5	
	5 4 2	

REMARKS:

TELLER'S CASH SHEET.

kind he takes in and least of all what kind he pays out. Money is money. And it need not be kept in packages convenient for making up pay rolls, for he makes up no pay rolls. He can strap his money as he pleases, but should endeavor to conform to custom in his locality, so that it may not cause undue annoyance to his depository bank and customers. A uniform method of strapping bills and wrapping coin is much to be desired and is coming to be given attention in banking circles.

THE OVERS AND SHORTS.

In small banks, several men may have access to the cash and receive and pay over the counter. This is so of necessity. This, of course, makes it difficult to trace an error, or to place the blame.

In large banks, where the work is properly apportioned, and the receiving and paying entrusted to designated men, an overage is usually (but not necessarily) an error of the receiving teller, and a shortage quite likely to be an error on the part of the paying teller. Some banks run an "over and short" account, while others make the tellers responsible for their own errors. Some banks run a "suspense account" on the deposit ledger, to which overages are credited and to which shortages are charged.

Inasmuch as cash over is usually an error in making tickets (as frequently happens in small banks where no check is placed upon such work), or money taken in for which no ticket is made (as also sometimes happens), and such money belongs to *somebody*, the proper course, if the system permits such errors, is to open account to take care of the items, and in due time the proper entry may be made when the book turns up with the omitted deposit. This is not to say that such practices should be encouraged, or even permitted, but as a matter of fact they are.

It has been held with no little degree of wisdom that to make a man responsible for his shortages is to open the temptation to reimburse himself from the overages. And if such errors are reported and recorded against him, this is all the penalty necessary to insure careful work.

In the handling of money, in addition to what has already been said, a few general and well established rules may be opportune. First: *Count* your money; count *all*

your money; count all your money *all* the time. Take this instance: Upon receiving a large amount in packages from another bank, one package was inadvertently placed in the vault without proving, where it laid for some weeks, when it was taken out and placed in the drawer, and found to be ten dollars short. The bank that strapped the package refused to make good after so long a time.

Second: If uncertain about the count, especially in paying, count it twice, or thrice. It will be time well spent.

Third: Always prove package money after strapping. Date the packages and initial them.

It cost another teller a hundred dollars of his salary to learn this secret. In strapping money, he took from piles of one hundred each, *six* hundred and made a package of *five* hundred, and the other *four hundred* he labeled likewise *five* hundred. He, sure that only one thousand was on

TELLER'S CASH

HOME SAVINGS BANK

Wednesday

TELLER'S CASH SHEET FOR SMALL BANKS.

the counter did not prove his strapping and shortly afterward handed somebody the package with the one hundred too much. Subsequently, still unconscious of the error, he handed the short package out for five hundred, when the shortage was discovered. Six and four make ten, as well as twice five, as this man learned to his sorrow. He now proves *all* his money, *all the time*.

Silver, when deposited in rolls, may be initialed, or numbered with the account to which the amount was credited. The proper method for counting bills was discussed in a previous chapter; suffice it here to say, use as few motions as possible in handling paper money; count by the multiple system, and strap but one denomination together.

In large banks, running receiving and paying departments, the cash is usually in charge of a superior officer, who doles it out as needed in the day's work. The receiving teller after reserving barely enough to make change, or none at all, turns his receipts daily over to this officer, or to the paying teller, who draws from the reserve supply as the demands require. The paying teller receives funds from three sources: First from the receiving teller, who, of course, has no use for money to make payments, and therefore turns over to the paying officer his receipts. Second, additions of cash received from the treasurer from the reserve in the vault, which in turn is replenished by withdrawals from depository banks as occasion requires; third, checks drawn by the proper officers to depositors' orders, or to his order and endorsed over to depositors, which become like so much cash received and immediately paid out.

PROOF OF CASH.

The problem of the receiving and paying teller, or the two offices combined, resolves itself into having a deposit ticket for every transaction, and correct in amount, and a receipt for every payment, corresponding to the amount paid out.

In summarizing these receipts and payments, no better scheme was ever devised than the teller's cash proof which is intended to be a quick, accurate and comprehensive account of the day's business. In the smaller banks, it is quite common to adhere to the journal-cash book, cumbersome and slow, with full details of each transaction.

The usual details are, number of account, name, in full or abbreviated, amount of deposit or draft, and the items properly distributed among the groups of accounts. This book has its place, and is quite generally used, but it is too slow a method of proving the cash. The point now is,

**CONNECTICUT SAVINGS BANK
OF NEW HAVEN**

Receiving Teller's Summary

TELLER'S SUMMARY OF CASH.

to get a quick proof of cash. And it is very plain, that, in a day of five hundred transactions, to write up the journal-cash, with all the details, add the amounts, and strike a balance before the cash can be proven is neither necessary nor desirable. And to properly enter the items, group them correctly and obtain a quick proof is absolutely impossible, if the force is small and the man at the counter

must do all this in addition to the window work, as is the case in so many small banks.

How much better, therefore, to simply take the cash balance of the day before, add the credits and subtract the

Receiving Teller's Proof

TELLER'S PROOF OF CASH.

debits, and arrive at the proper amount quickly. This can be done by adding machine or by hand, and when cash has proven, journalize the items at leisure, either in detail or in totals. The point is, proof of cash is the important and pressing thing and the less the book work in arriving at this proof, the better.

CHECKS.

Checks received on deposit are carried as cash over night, or turned over to the proper officer and by him deposited in the depository bank, after making due record. Some banks do not hold checks over night, but deposit every day, even in very small banks. In some banks all *out of town* items are sent out the same day, while local checks which will be paid the next morning are either carried as cash or deposited with the clearing agent.

The reason for this is, first, to get the checks on their way for collection and, second, to prevent fictitious items being carried as cash,—a fruitful source of defalcation.

Any cash or checks which the teller has received and turned over to other officers, are properly a credit to himself and so appear in making up his cash.

CHAPTER XXI

THE PASSING OF THE DEPOSIT LEDGER

To handle the vast volume of business that passes through a large savings bank necessitates a large force of employees, and demands infinite patience and attention to detail. When it is remembered that most of these good institutions keep their books in perfect balance, it will not require long study to become convinced that herein system and accuracy have been highly developed. The greater part of the transactions occur at the interest periods, when the rush is on and the vast multitudes are depositing and withdrawing, having interest credited, etc., and whatever the system, it must be expansive, capable of handling the rush, yet not too costly and cumbersome to be serviceable in normal times. It behooves the bank man, therefore, to find the easiest, the quickest, the most accurate, and the most elastic system available, if he would keep pace with the times and the demands of his business.

THE OLD IDEA AND THE NEW.

Accounting is a fine art, exceedingly simple in its fundamental principles, yet often intricate and complex in its operations. It is simply a matter of debit and credit, asset and liability; addition, subtraction and division. But what is an asset, and what a liability? Twice two makes four—but we sometimes get it five, or—three, and he who never made an error was never born.

The old time notion of bookeeping was to make it complex; to multiply the number of transcriptions and thus lessen the liability to err. Consequently, the journal, with the post and cross-post idea, doing the same thing several times just to be sure to get it right—and multiplying the chances of getting it wrong! But the new idea is simplicity. Do the thing *once*, but do it *right* that once, and make this entry serve as many purposes as possible. Transcribe as little as possible. Hence the carbon system, the billing

machines and direct posting, with the card and loose leaf systems as auxiliaries, to simplify the process, eliminating and promptly and properly burying the dead matter as fast as its usefulness is ended.

BOOKKEEPING IN THE PAST.

From the deposit ledger with thousands of accounts (many dead) to the card tray or the loose leaf binder, is a long step. In an able address delivered before the Savings Bank Section of the American Bankers Association, Col. Chas. E. Sprague, late of the Union Dime Savings Bank of New York, traced the evolution of the aforesaid ledger from the time of the bound book with five thousand accounts, to the advent of the latter day systems. He told of the time when each debit had "To cash" and each credit "By cash"—otherwise, how could you tell what it was? This was subsequently abbreviated to "T" and "B," representing, as the janitor put it, "what they brought and what they took." The time came, however, when simply the date and the amount—in the proper place, of course, told the whole story.

The old time practice (still in vogue in many places) was to make a deposit ticket, transcribe at the end of the day to the journal—cash (the bigger the book the better), and post from thence to the ledgers and check back. In some places even yet the deposits are entered on the journal as they come in, and the depositor signs the "withdrawal book" in making drafts, a slow, unsatisfactory process. This, as the Colonel humorously remarks, was "book"-keeping, but to post direct from the slips and dispense with the journal—that was unsafe and unsound. The ledger was ruled for debit and credit, a column for each, and the balance brought down at intervals or carried in lead pencil.

It is not so many years since these notions were current; but these later days have seen many excellent substitutes. Most banks now post direct from the credit and debit slips, and check from distribution sheets. Others, using the coupon system, post from the tickets and prove the work by entering the new and old balances on sheets ruled for the purpose, and strike the difference, which must tally with the total deposits or drafts. Others post from the perforated sheets, detaching the perforations, leaving the name and number only, the amounts being entered from the ledger and must tally

with the stub. Many and varied are the systems devised to meet the needs, but whatever the method of posting and checking and proving, one fact remains, the accounts fill up. (For forms see chapter on posting and proving.)

THE BANK MAN'S PROBLEM.

The savings bank account is peculiar. Many, perhaps most of the savings accounts are quasi-dormant, increasing only with the periodical additions of interest. The business account is presumed to be active from the beginning. In the savings institution, only time will tell who will be the steady depositors. In a certain metropolitan savings bank, one

Deposits

DATE 1910	Number of Account	DEPOSITOR	Dollars	Cents
Nov 2	8768	A. B. Swift	37	62
	9322	J. B. Teller	10	
	10329	S. S. Small	35	

DEPOSIT JOURNAL. MANY BANKS "GROUP" THEIR ACCOUNTS ON THIS BOOK.

account—that of a trolley car conductor—had over one hundred entries during a single year which is exceptional. The highest balance was \$203.50, and the lowest \$30.00,—not a profitable account.

This uncertainty has brought about the passing of the bound ledger, and its more elastic substitute, in the form of card or loose leaf, has come into being to meet this very need. Under the regime of the bound ledger, one of the problems of the savings bank is, how to provide space enough for the active and not too much for the passive. Many and cumbersome have been the methods devised to obviate the difficulty, a prevalent plan being as follows: when an account is full, the balance is carried to the nearest open space. No more undesirable method could have been found. It takes the accounts out of all sequence, and its only redeeming feature is the saving of white paper. To quote the Colonel

again: "After finding the place of an account, perhaps tracing its course through several unfilled spaces to which it had been carried, the eye and the finger had to recur to the deposit book or draft book to make sure of the number and name, then back to the account, carrying the amount as a precious burden, sometimes spilling it on the way, and usually making the voyage across the expanse of those two big books two or three times till it finally reached the haven where it should be. Many accounts overflowed the boundaries of the original spaces allotted to them and had thus to be carried to the unused portion of the territory of some short-lived depositor nearby, and so on, until the complication became inextricable and fruitful in posting to the wrong account. Finally this became intolerable and the space so exhausted that all surviving accounts had to be carried to a nice big new book. This was one of the most irksome of jobs and nobody wanted it."

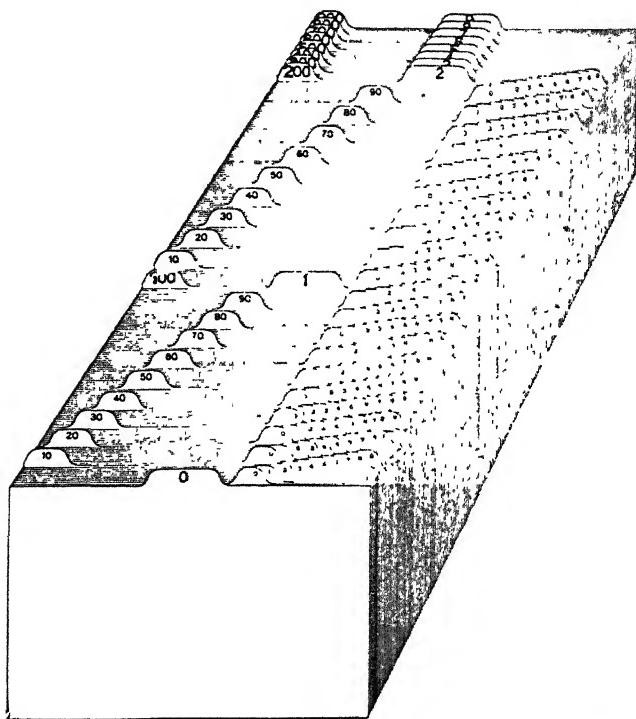
Contrast a thousand accounts, scattered thus, out of all proper sequence, transferred and re-transferred again, with a drawer of cards, every one a live account, or a loose leaf ledger, likewise, each account carrying the same number as long as the account shall live—verily a transformation. A year's experience under both systems, and no other argument will be necessary.

CARDS AND LOOSE LEAVES.

Many a bank man is wedded to his own, and parts with it only under dire necessity; but to convince him of the merits of the new, oftentimes needs a philosopher with gifted tongue. The convenience of cards he will admit, but as to their safety—that is another matter. From a somewhat extensive canvass of this subject made by the author, the following objections seem to be common in this regard, viz.; their safety and their standing in court. While it was expected that the legal side would be most prominent, this seems to have been accepted as settled. The possibility of loss or manipulation is pertinent, and between the cards and the loose leaves, the chances are against the cards.

The fundamental differences between the two methods are nil, merely that the one is in sheets, bound like a book, under lock and key, if you will, while the other is in drawers, locked also, if desired. To choose the better, is a matter of

taste. One looks like a book—the other doesn't, that's all. They both have their good points, and both have their weaknesses. Neither has reached perfection. However this may be, it is a matter of wonder that so many banks have failed to discover the great worth of the card system of indexing. Many, if not all savings banks work under name and number. Without the number, the bank man is helpless. To turn



NUMERICAL CARD INDEX, SHOWING ARRANGEMENT OF TABS.

to the old time vowel index and hunt through a mass of dead matter for a name is neither necessary nor desirable. An account should not be one of two hundred, but one of twenty, one of ten. Herein comes the card index, dividing and subdividing the names until it gets to be a nicety. For due dates of interest payments, expiration of insurance, etc., it is a godsend. Every day has its allotment and for such records, it is without a peer. But we are digressing, and back to the ledger.

As to security—and this must be considered, for as long as men are human, some will steal and others try to, but whether the card or the loose leaf will invite fraud is yet to be proven.

Will a man who would go wrong stop at a piece of linen thread, holding a leaf? Will he stop at a rod, or a lock? Bound books have not prevented fraud; will the other systems invite it? Will he not find a way—or make one, as history has proven time and again? After all, does not the whole matter simmer down to human honesty? You may lock the books or the drawers, so that two men and two keys are necessary to open, but will he not defeat this, if he is a clever rogue?

As to the possibility of loss or misplacement, let this be said for the loose leaf sheet; it can only go astray by design; the card may, and often does become misplaced in error. The loose leaf is fast until its life is ended, when it comes out to stay; but the card is loose all the time—else it would not be a card. The one is a book—really a book, with real binding and back and sides; the other is a bit of bristol board sliding on a rod.

As to bulk, many banks raise the point of desk room, and those whose quarters are cramped must consider this point. A thousand cards form a compact mass, and upwards of ten thousand can be handled in a desk, whereas in the same space, at the most, four of the old bound ledgers could be handled with ease.

The loose leaf ledger has not yet been devised that will match the cards for compactness, but one has been invented that will hold upwards of fifteen hundred accounts. The genius who will devise a loose leaf savings ledger that will equal the cards for compactness, has a wide field for his wares, as a number of letters at hand would show. Matching each other in this, it is a question of individual opinion.

WILL THEY STAND IN COURT?

In so far as the legality of these methods goes, let this be said: *They will stand in court.* It is a principle of law that only books of original entry can be admitted as evidence. It must be the original transaction, or the record thereof, made by the party whose duty it was to make that

record in the regular course of business. The first record made—crude memoranda even—may be called into play to bolster up the otherwise original entry. If the one who made them is living, bring him into court. If he is dead, prove his handwriting! In Hooper vs. Taylor, 39 Me., 224, the court said: "The material, form and construction of a book offered in evidence as a book of original entry are unimportant, provided such books are capable of perpetuating a record of events, and the entries are made in conformity with the general rule governing the admissibility of such entries."

Any bookkeeper knows full well that the ledger, no matter what the form, *is not a book of original entries*, except perhaps in carbon systems. It is merely an assembly of original entries, and the cards and loose leaves are in such universal use that no court could afford to question the validity of the records therein contained.

For general ledger use, the loose leaf system is ideal. The book is big or little as you please, self indexing, and always as you will. For bond registers and mortgage records, it is all that could be desired.

THE SAVINGS BANK IN ACCOUNT WITH ITS DEPOSITORS.

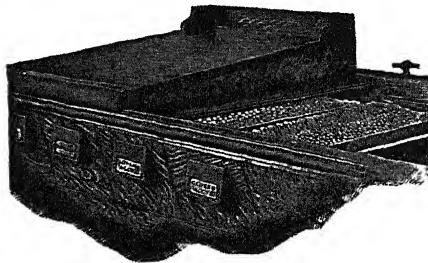
It has therefore been decreed—the deposit ledger must go! Faithfully and well has it served its day and generation, but its day is past and its generation is passing, and in many banks it has taken its place on the shelf as a relic of other days, bearing between its covers the record of the struggles of the multitude in their climb up fortune's ladder.

It needs no monument, for none regret its passing, and those who have witnessed the advent of better things in their institutions and must still earn their bread by the scratch of their pen, rejoice that it has gone. Its virtues are so concealed and its defects so apparent, that it would seem, without close analysis, to be entirely void of the former. The increasing popularity of the savings banks and the increasing prosperity of the people, have brought about such a growth, both in the number of accounts and the frequency of the transactions, that modern times have demanded better methods, and the bound book had nothing to offer but its age.

THE BOUND BOOK PASSING AWAY.

To say that the bound book has kept good account with the depositors, is to speak the literal truth;—it has kept the account so firmly and so rigidly that its very firmness has been its undoing, and the cards and loose leaves have come in to *keep* the account just as well, but to *let go* when a tenacious grip has no longer served a useful purpose.

Like all things ancient and honorable, it still has its friends and defenders, but these, one by one, are bowing to



CARD LEDGER DESK, SHOWING DETAIL OF CARD ARRANGEMENT.

(By courtesy of the Yawman & Erbe Manufacturing Co., Rochester, N. Y.)

the inevitable and joining the ranks of the satisfied users of the loose leaf ledger or the card system. Even the "doubting Thomases" are admitting that the disadvantages of the bound book are so apparent, and the advantages of the other systems so manifest, that whatever merits the bound book may claim are so outclassed by the newer ideas that the weight of evidence is clearly on the side of the modern systems.

We accept the fact without discussion that it is of the highest importance that the accounts of the bank with depositors shall be kept in such form as to be readily accessible for posting and proving, yet permanent and in such arrangement as to make alterations, substitutions, and manipulations difficult, if not impossible. The value of savings bank records was forcibly demonstrated in the case of Kelly vs. Buffalo Savings Bank (New York Savings Bank Cases, p. 67), where the action was brought nearly twenty-three years after the death of the depositor and several years after the last transaction that was questioned. The ledger account, being the *assembly of the original entries*, is, there-

fore, of vital importance, but not more so than the deposit tickets and draft receipts, which should be duly preserved as original vouchers which go to make up the ledger account. (For this reason some banks file the tickets and drafts by *account numbers*, so that all the transactions with one account are together, thus making it possible to reconstruct any account from the files without regard to the ledger account.) That the deposit ledger has accomplished all this is admitted; but in so doing it has accomplished so many other things that it has discounted its own worth. It needs no long argument to prove that, while the records should be *permanent*, they need not necessarily be sewed together and bound between Russia leather covers.

THE BOUND BOOK NO SAFEGUARD.

History will demonstrate that the bound book has not prevented defalcations. Whether the safeguards thrown around the cards and loose leaves are sufficient to protect the banks from losses on this score remains for the future to determine. Certain it is that more serious losses could not occur under the régime of the loose leaf and cards than has obtained under the bound book. Cases in Massachusetts and Maine, in which nearly half a million was stolen from the banks and successfully covered up in the ledger accounts for many years, and one in New York, in which the bank lost over \$350,000 in the course of twenty years, amply demonstrate that the ledger is not immune from attack by a clever man. In the Massachusetts case, the bank made, or was *supposed* to have made frequently during the period of theft, a thorough verification of its pass book liabilities as required by law. According to the bank's accounts the institution was solvent; but when the true condition, as shown by the outstanding pass books, was known, a deficit of over \$250,000 was revealed. The legislative committee that investigated this case severely condemned the trustees for not requiring *yearly audits by outside accountants*. In the last analysis, therefore, it is not the bank's ledgers, cards, or loose leaf ledgers, that tell the true story of the *amount due depositors*, but the sum total of the pass books. Consequently it is more essential that adequate safeguards be thrown around this part of the work, and that exhaustive periodical verifications be made of the pass books, than that

the whole solvency of the bank shall rest upon the accounting system inside the institution. The average depositor can be depended upon to verify the amount due him as shown by the book in his possession, and manipulation of the pass books is a dangerous and rare practice. But manipulation of the *ledger balances* is one of the easiest things imaginable in many institutions, and is given less thought than any part of the auditing work. This verification, of course, must be frequent and thorough. The laws of Massachusetts afford an excellent example of what should be done in this line, and the reports from the banking department of the State demonstrate the excellence of this idea in practice. Some banks have verified as high as ninety-five per cent. of the pass books in a period of six months. This matter will be treated in full under the chapter on "Auditing."

THE BOUND BOOK UNEXPANSIVE.

The charges against the bound book may be summed up as follows: (1) It is full of dead wood. The time consumed in finding the living among the dead equals or exceeds the work placed upon the living. It is impossible to eliminate those accounts that are of no further use save as records. While dead, they are unburied, and like all things dead, but unburied, become troublesome. While they may be invaluable as records, they are an intolerable nuisance if handled daily.

(2) The accounts fill up and must be transferred. This, perhaps, is one of its greatest weaknesses. It neither contracts nor expands. The dead accounts *cannot* be taken out; the live ones, or many of them, *must be*.

Transfer is usually accomplished by one of three methods: (a) Provide blank leaves at intervals; blank spaces likewise; or additional accounts unnumbered at the back. (b) Carry to the nearest open space (blank space on some closed account nearby). This is frequently the practice, but as has already been noted, it takes the accounts out of natural sequence and in the end promotes confusion and delay in finding the account. As one bank that has discarded this practice states, "Very often this open space would not be found except at quite a distance away from the original page. It would, therefore, take the account

out of its rightful *section*, or block, which, according to our system, occasioned a difference in such section, which required a long search to rectify. This would be the case at every half-yearly trial balance as long as the account remained open." This idea has everything to condemn it and nothing to commend it. (c) The closing of the old and the opening of a new account every time the space is exhausted.

THE LEGAL SIDE.

The bug-a-boojum of legality, which has been raised against the loose leaf and the cards, is no longer an element to consider. The courts have ruled so plainly, and the logic is so clear, that *it is the original entry that counts*, and not the *assembly* of those original entries, that it may be taken for granted that the loose leaf will have as good a chance in court as a bound book—provided it is properly authenticated by the original entries (deposit tickets, draft tickets and pass books). The loose leaves of a bank ledger, containing entries, are competent, though not conclusive, evidence of the transaction to which they refer, when they are properly proved by the testimony of the employees of the bank. (Queen City Sav. Bank and Trust Co. vs. Reyburn, U. S. Circuit Court, East Pa., July 31, '08.) In a careful investigation of over one hundred savings bank cases in the New York courts, covering practically the entire savings bank litigation of that State from 1868 to 1913, the author has not found a single case in which the *amount* has been in dispute. It has usually been the *ownership* of the fund or wrongful payment thereon, but not the fund itself. It may be that in cases where the pass book has disagreed with the ledger, through the manipulation of the ledger account by the defaulter, the true balance could only be ascertained from the pass book, but in such instances the evidence is clearly *against* the bank and in *favor of the depositor*. But it was for his protection that the pass book was given him.

SPEAKING OF THE CARD LEDGER.

The Auditing Committee of the American Bankers Association, Savings Bank Section, has steadily recommended the card system. The committee states: "In the interest of conservatism, many bank officers are opposed to the system, and we would advise a thorough examination into the whole matter before deciding to make a change from

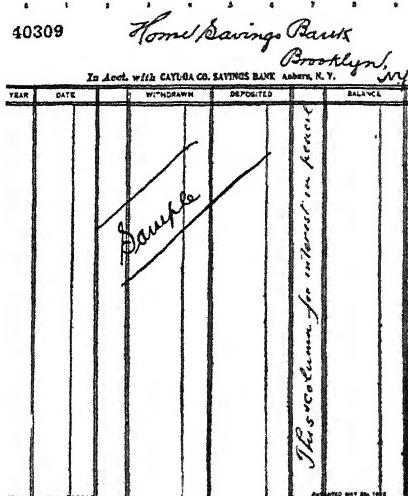
books to cards; we would advise writing to some of the large banks now using cards, for their experience and results; our replies from such have been uniformly satisfactory and even enthusiastic.

"As regards the danger of losing cards, our inquiries tend to show that this is but illusory. Experience has proven that no loss of cards has really been made; it is possible, however, that cards may be misplaced or temporarily missing, and as regards this, a very simple method will enable one to duplicate a missing card in a short time by observing the following directions: Draft and deposit tickets, after being used for posting, should be filed away *seriatim*, according to their numbers. This requires but little additional work; should a card be misplaced, a duplicate card can be made for that account by starting with a deposit according to the trial balance, and posting to it the drafts and deposits made since that date, as will be readily found when the draft and deposit tickets are filed *seriatim*."

The committee also recommended at this time that ledger accounts be ruled so as to be practically a duplicate of the pass book pages, and also that the balance column for both ledger and book be used, "as it checks mistakes, prevents overdrafts, supplies ready-made balances, which may be consulted and compared at all times, and is of greatest value when taking trial balances." In one large bank that adopted the card system, after most careful investigation, the order went forth that any clerk found guilty of misplacing a card would summarily lose his job. It is needless to state that the original force is still intact, and the somewhat harsh order has yet to claim its first victim.

Again the committee reported, "The day of the old-fashioned bound ledger seems to be passing; one half of the larger banks (those having 5,000 accounts and upwards) use the card ledger; the loose leaf is used by more than fifty per cent. of the smaller banks—while the bound book is used by only 123 out of nearly 600 banks." As a further precaution against manipulating the cards, the committee in its 1909 report suggested that "the depositor affix his or her signature on the card at the same time he or she affixes his or her signature on the signature card or book when opening the account." Should such ledger card be abstracted and another substituted, it would necessitate a forgery of the depositor's signature on the signature card—

a serious matter. Some banks not only take the signature of the depositor on the ledger card, but also the depositor's age, and father's and mother's name. In small banks or small savings departments in discount banks, the signature and full pedigree of the depositor may be taken on the top of the ledger card, thus saving time and money by dispensing with the other signature or pedigree cards. This latter suggestion is very good and works well, except in cases where the depositor does not write a good hand, when the ledger heading is apt to be "more artistic than beautiful."



LEDGER CARD USED IN CARD LEDGER SYSTEM. NOTE
THREE FIGURE INDICATORS.

One of the best features of the card ledger lies in the fact that by using a steel cabinet and having a fireproof building, the cards may be left in the desk over night without danger of burning. In fact, many if not most of the new banks are using steel filing cabinets for their books and other records, thus saving the cost of expensive vault room. The practice of putting books behind a great vault of steel is gradually passing away—half an inch of steel with fire proof lining in a modern building is quite sufficient. Vaults are now used for securities and money only.

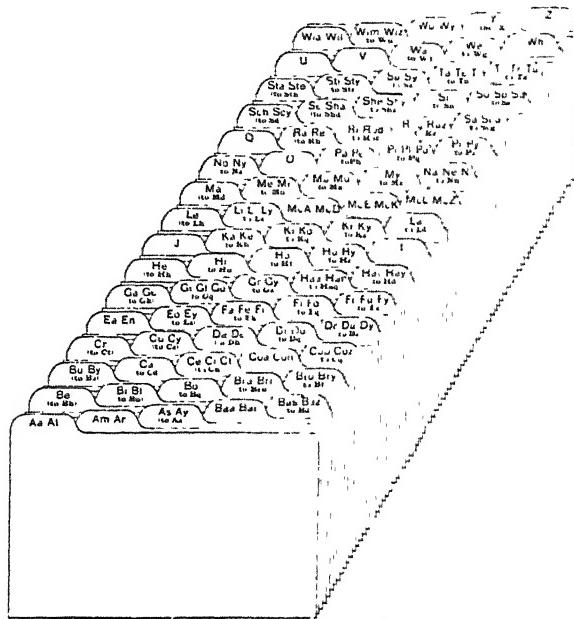
IN WITNESS WHEREOF.

Enough has been cited to warrant the conclusion that the days of the bound book are numbered, and that it is only a question of time when either cards or loose leaves (banks must settle the relative merits for themselves) will be quite universal. The following descriptions of the working of the card system are taken from letters on the subject from bank men who speak from experience: In the Springfield Institution for Savings (Mass.) all ledger cards on which any transaction is to be entered are first taken out and arranged numerically. Those on which deposits are to be posted are separated from those on which drafts are to be entered. The deposit and draft tickets are likewise sorted numerically. At the first posting the *balance only is changed*. The cards are then turned over to another clerk who enters on them the deposit or draft as shown by the changed balance. These transactions are then run off on the adding machine and the totals should agree with the totals as shown by the teller.

A skeleton ledger is used as a check in case a card should be lost or mislaid or an attempt be made to make false entries. On this ledger the *amount* of the deposit or draft *only* is entered. This is posted daily by clerks who *make no entries* on the card ledger. The trial balance is obtained from the skeleton ledger by comparison, account with account, ledger and card. The totals of the accounts on each page of the ledger are compared with the totals of the same accounts obtained from the cards by adding machine.

In the Cayuga County Savings Bank, Auburn, N. Y., instead of *one index figure* at the top of the card, the *three terminal figures* of the account number are printed in addition to the full number in the usual place. This makes it much easier to find any given number, lessens the number of finding cards by ten in each hundred in the accounts of later date, and in the older sections needs but one for each five hundred or thousand open accounts. In case a card is misplaced the *three figures* enable it to be found quickly, as it is only necessary to look for that three combination figure out of its rightful place, and there can be but *one* of them to each thousand accounts, while in the other

plan, there are *one hundred* to each thousand. Different colored finding cards are used for each section as an additional safeguard against dropping a card in the wrong tray. Closed cards are kept in a separate tray until the next trial balance is taken, when they are filed in numerical order. This



ALPHABETICAL CARD INDEX.

allows checking back all postings for the six months, in case it becomes necessary. When cards are full on both sides, new ones are inserted in the same place and under the same number, and when the account is finally closed, all transactions thereon are found together in one place. Accounts have been known to have been transferred as high as thirty times on the old style ledgers, and the difficulty of tracing back the account will be easily manifest.

CHAPTER XXII

POSTING AND PROVING

As a proposition in accuracy, all bookkeeping resolves itself into getting the right amount on the right account, and he is the ideal bookkeeper who never gets the wrong amount on the wrong account, or the wrong amount on the right account, or the right amount upon the wrong side of the right account.

The transactions of a large savings bank are multi-

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SOUTHOLD SAVINGS BANK.

DATE	No of Account	NAMES OF DEPOSITORS	DEPOSITS	DRAFTS
Nov 5	3675	<i>O B Brown</i>	3150.95	2560.25
	5210	<i>H A Baldwin</i>	10-	
	3729	<i>M Ahlborn</i>	5	
	3219	<i>Peter Cook</i>	25	
	4010	<i>Joseph Cannon</i>	18	
	3268	<i>J D Bryan</i>		100-
	5019	<i>S Stumbell</i>		50-
				5721.6

DEPOSIT AND DRAFT JOURNAL.

tudinous, and worst of all are spasmodic, coming like an avalanche during the interest periods and in the interim running more or less uniformly.

On a quiet day the transactions in a large bank will number a thousand, and on a busy one, in one of the large New York banks are reported to have been over ten thousand.

The system must therefore be adapted to the rush periods as well as the slack times, and the force large enough to handle the work at its maximum, which makes the work much less trying during the quiet periods than is usually

the case in commercial banks, where there is the daily grind of grist, which must be completed before the force is at liberty. This work is so nicely adjusted, that in a fifty-million-dollar bank in Greater New York it is no unusual thing to find the work finished within fifteen minutes after the doors have closed. In a hundred-million-dollar bank, the work is generally completed within half an hour after the closing time. Rush periods and interest times, of course, necessitate longer hours, but even these are not unduly extended.

The proposition that therefore confronts every savings bank is to devise a system of posting and proving *that will not permit an error to get past the posting check*. If it does, it will give trouble in the next trial balance, and trouble with the trial balance is the most unwelcome visitor that can come into a savings bank, large or small.

ACCOUNTING BY GROUPS.

The foundation of all posting systems is the *grouping* of the accounts. This is so generally the custom that it may be taken as a settled savings bank policy. Just how small the groups should be is a matter of opinion, but the smaller the bank the smaller can be the grouping, and groups of either two or three thousand help materially in expediting the work. If ledgers are used, each ledger would naturally include a group, but if cards or loose leaf systems are in vogue, the accounts may be grouped numerically, as, for instance, 1—1,000; 1,001—2,000, and so on.

It is, of course, of utmost importance that the items be properly distributed to the various groups, or the system falls down. But by the coupon system, herein described, combined with postings *direct from tickets*, incorrect distribution is impossible. The classification is usually accomplished in one of two ways: First, through the use of the cash-journal; second, through the distribution sheets used in connection with the coupon system of posting and proving.

Where a simple method is desired and the coupon system is not adaptable on account of the lack of clerical force, a better scheme could hardly be devised than the one presented below, which consists of a plan which retains all the good features of the journal method and eliminates all the undesirable.

It is the custom in many banks before proving the cash transactions of the day to enter all drafts and deposits, together with the general ledger items, on the journal or cash book. Some banks run a deposit journal, a draft journal and a "general journal." It will be seen that before cash is proven by this method the permanent records must be made in detail. This is not, and should not be neces-

✓	No	NAME	GENERAL	GROUP	GROUP 2	GROUP 3	GROUP 4	B & M
		Amounts Brought Forward	567890	534010	89316	389011	115679	5000
	5893	J. B. Brown		50				
	7296	S. J. Smith			10			
	9375	A. C. Atley				500		
	9376	P. B. Mack				101		
	9377	M. B. Lodge				90		
	9378	H. Doctor				10		
		From Ex. Bank	708	800				
			1759	50				
			1760	90				
			1761	17576				
	57	Int. S. B. Poor						
	93	J. J. Jones						
		Stock 1/4 N.Y. City Bonds						
		Sold at 101.50	8000					
		Int. on 1/4 Bonds						
	157	By M. S. Penney		4376				100
			1199842	52910	10	70316	463111	115679
								5000

CASH-JOURNAL. GENERAL LEDGER ITEMS GO IN FIRST COLUMN; DEPOSIT ITEMS ARE DISTRIBUTED AMONG THE VARIOUS GROUPS IN THE NEXT FOUR COLUMNS; MORTGAGE ITEMS IN LAST COLUMN.

sary. In advocating the use of the teller's cash sheet as a counter proof of cash, the author speaks from experience. If time is an element to be considered, as it should be, and accuracy as well, the use of this idea will accomplish both. It is quite generally used in commercial banks, and ought to be in savings banks, as a quick and accurate proof. It ought not to be necessary to list every deposit by name and number and distribute to the proper group before the teller can satisfy himself that his cash is correct. At three o'clock he is, or ought to be, concerned that his work has been correct during the day,—let the permanent and complete record of his doings be chronicled later.

Forms of teller's cash sheets will be found herein. No particular form is necessary, as long as it totals the debits and credits of the day. The process is as follows: As the drafts and deposits come in during the day, they are listed by *number and amount only, without regard to the sequence of accounts*, in the debit and credit columns. After listing, they can be posted to the ledgers or cards if desired, or this may be done after journalizing. As soon as the doors are closed, the columns are added. The credits are added to the cash on hand as of the previous night, the debits deducted, and the result is the amount called for. If by the rules of the bank, postings are required to be made the same day, this can be done direct from the tickets as soon as they are listed on the cash sheet. The next morning these are assembled in their respective groups, and written up on the journal. The totals of the journal are carried until the end of the month, and the difference between the debit and credit sides must give the *same results* as obtained on the teller's cash sheet. If these figures prove, it indicates that the items have been correctly entered. If not correctly entered, there will be a difference which will readily be found by checking from the teller's sheet. The ledger postings are checked back *from the journal*, and we have thus gone around a triangle, not having done the same work twice, nor having done a stroke of needless work. To post from *call* is highly dangerous, as many bank men will testify. The eye is more accurate than the ear, and wherever oral posting and proving is in vogue, the sooner it is abandoned the better for all concerned. Amusing and annoying errors have been traceable to this method, and it has nothing to recommend it. A study of this idea is sure to be attended by good results and will repay any bank running with but one teller.

THE COUPON SYSTEM OF POSTING.

The journal grouping of accounts does *not* insure getting the amounts in the proper groups, and to verify this process nothing can be done but go over the journal columns and ascertain that the grouping has been properly done. This is but the work of a very few minutes. But the coupon system which we shall consider at length has so many advantages over all other methods, and is in use in so many banks, that it would seem but a matter of time when the fundamental idea

embodied in this system will be found in all savings bank posting systems. It will accomplish four very desirable things, viz.: (1) It insures getting the right amount on the right account and on the right side of the account. (2) It prevents wrongful grouping. (3) It will positively prevent an error in extending the balance. (4) It will insure that the same entry is made on the ledger as is made on the pass book.

CREDIT DEPOSITS.

Ledger *B*

NUMBER.

9872	Smith
9935	Jones
9273	Brown
9125	Williams

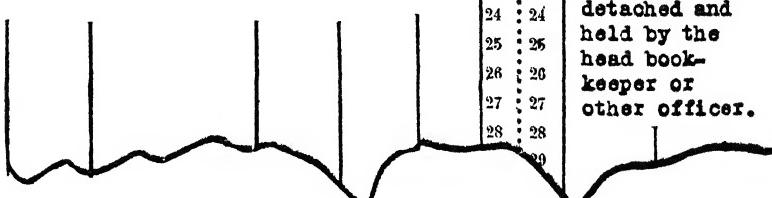
CREDIT DEPOSITS.

Ledger *B*

1	1	1000
2	2	100
3	3	90
4	4	125
5	5	
6	6	
7	7	
8	8	
9	9	
		1315

This portion of the sheet goes to the bookkeeper, who locates the entry on the ledger by the number in the first column, verifies the name and enters here whatever he finds posted under the current date. The total in some banks is carried to a "summary sheet" but if the work as a whole is out of balance, comparison of the total of this part with the detached portion will indicate on which sheet the error has occurred, and by placing the two parts together, the item will be quickly indicated.

At the close of the day's business, the footings of this column may be carried to the cash book in bulk; but if the items are listed singly and grouped on the cash book, the totals must agree. This part is detached and held by the head book-keeper or other officer.



DISTRIBUTION SHEET USED IN THE COUPON SYSTEM OF POSTING.
EXPLANATION ON FORM.

The foundation of the whole idea is "blind" work,—i. e., the clerk has nothing before him to make it easy to make errors in his postings. As Colonel Sprague suggests, "the human mind is apt to assent to what is presented to it, and it often assents to a thing that is wrong, and is not able to tell afterward why it 'slipped a cog.' " A study of forms herewith given is suggested in this connection, and what follows is based upon these forms.

The sheet, whatever the minor details may be, is divided roughly into three portions: (1) List of deposits (we are considering only the credit entries); (2) proof of posting; (3) proof of ledger extensions. Some banks omit the last named portion and use the first two only, verifying the balance by another process. Usually a sheet is used for each ledger or group of accounts. As the deposit tickets are received they are taken by the distribution clerk and entered upon the proper sheet corresponding to the ledger or group to which the entry belongs. In the present case credits are on yellow sheets and debits on blue, and the deposit tickets and draft receipts correspond with the distribution sheets in *color*, and it is practically impossible to get a debit on a credit sheet, or vice versa. The clerk fills in the number, the name, *skips a column* and extends the amount on the perforated portion which, after cash has been balanced, is detached and goes to the head bookkeeper or secretary. In some banks it is merely turned under. The items may be carried to the journal in bulk or itemized, as in the process above described. Postings are made direct from original tickets to ledger. After postings are completed, another clerk (or in smaller banks the same one) takes the sheet, which now contains *nothing but the number of the account*, or in some cases the number and name and in others only part of the name, and turning to the account he puts down *whatever he finds posted* and at the same time, the new balance and the old one. In one large New York bank the *posting clerk* merely extends the balance *as it will be* when the item is posted. The *check clerk* ascertains what amount will *so affect* the balance and puts it down, both on ledger and proof sheet. When his list is completed, the amount of the deposits is added to (in case of debits it would be deducted from) the old balance and if the total of the old balances, plus the credits, equals the total of the new balances,

the work has been correctly done. The total credits must also equal the total on the detached portion, and the "proof of balance" columns equal each other, with the additions or deductions mentioned above. This absolutely insures that the correct amount has gone on the proper account, on the proper side of the account and that the extensions are correct.

12-05-10 M

PROOF OF BALANCES.

OLD BALANCE	NEW BALANCE	NUMBER	CREDIT DEPOSITS.	CREDIT DEPOSITS.
		1 678		1 1 100
		2 829		2 2 10
		3 356		3 3 10
		4 101		4 4 5
	(3)		(2)	5 5 123
				6 6 1
				7 7 -

As tickets come from the teller to the bookkeeper during the day, they are entered on this sheet as above, and the amount (\$123) entered in the cash journal. After being entered part # is detached.

PROOF OF BALANCES.

CREDIT DEPOSITS.

OLD BALANCE	NEW BALANCE	NUMBER	CREDIT DEPOSITS
		1 678	1 1 100
		2 829	10
		3 356	10
		4 101	5
	(3)		123

After the items have been posted to the ledger accounts from this sheet, this sheet, on which only the number of the account appears, is taken to the ledger and whatever credit is found on that account is entered in the column marked "#2" and footed when the list is completed. The total is compared with the detached portion and if it agrees, it is proof that the postings are correct as to number of account and amount.

PROOF OF BALANCES.

CREDIT DEPOSITS.

OLD BALANCE	NEW BALANCE	NUMBER	CREDIT DEPOSITS
1 194 30	1 294 30	1 5678	1 100
9427	10427	2 7829	10
83931	84931	3 9356	10
1356	1656	4 101	5
1 23			123
2 264 44	2 264 44	(3)	
			(2)

Part "#2" is now complete. Part "#3" is still blank. The sheet is again taken to the ledger and the new and old balances entered as they appear on the ledger. To the total of old balances is added the total credits and the columns footed. If the footings agree, the work has been done correctly, and the extensions, postings, and account numbers have been independently proven.

If improperly grouped, the checking clerk *will not find* the item posted on that ledger.

To insure that the same item goes on the ledger that appears on the pass book, some banks, instead of transcribing from the tickets to the distribution sheets make these entries from the pass book. The book goes from the teller to the distribution clerk, who enters upon the proper sheet whatever he finds on the book.

This is a very good plan and works exceedingly well. It necessitates, of course, enough help so that one or two men can be made assistant tellers and give all their time to this work. In large banks the protection against errors and fraud would be well worth the cost.

THE COUPON SYSTEM IN PRACTICE.

The author wishes to go on record as an advocate of the teller's cash sheet in whatever form the bank may elect, as long as it provides a quick and accurate test of the day's work. This can only be accomplished by eliminating all needless details, and confining the work to the listing of account number and amount of deposit or draft. Likewise no better foundation for the proof of posting can be laid than the coupon system, in whatever form it may be adopted, as long as it will *prevent* wrongful posting and wrongful grouping, each of which is of equal importance. As has already been said, the underlying ideas in the coupon system are the grouping of the accounts and "blind" proving. The grouping is well nigh universally practiced, and the "blind checking" should be. The use of the journal is mainly to assemble the totals, and provide a summary of the work of the whole bank. Where the force is large enough to pass the transaction through the distribution clerk, and at the same time make a journal entry, while the depositor is waiting, as in some banks, so much the better; but in many banks this would be impossible, and simpler methods must be found.

Correct posting is important—vital, but correct grouping is essential if the nerve-racking work of long and tedious checking back at trial balance time is to be avoided. And the eyes of the savings bank man are usually focused upon the testing time, which, thanks to better methods, is being robbed of its terrors.

AROUND A TRIANGLE.

In the Greenwich Savings Bank of New York, one of the largest of the New York banks, the operation is as follows:

After 3 o'clock the journal clerks prove with the respective tellers who make their proof with their lists. The number of transactions are proved the same way.

The draft and deposit tickets are assorted numerically and from them the ledger cards are pulled (putting in a marker where a ledger card is taken out) and posted, after which the tickets are counted and proved against the journal figures as to number of transactions.

The ledger cards are taken in ledgers by bookkeepers who list on adding machines the number of account and previous balance, while the second bookkeeper brings down the present balances in pencil, which in turn are listed opposite the previous balance on the control sheet. The difference of the two totals will equal the difference in deposits and drafts for that ledger.

After the ledger cards are put back in place and markers removed, the bookkeepers check the journal sheets by going over each account and comparing deposit or draft entry and balance with the entry on ledger card, and at the same time catch a ledger card if filed out of place.

THE "BALANCE-POSTING" METHOD.

In the Union Dime Savings Bank of New York, noted for what may be termed for want of better word, the "technique" of its system, the "balance-posting" is used. This, of course, is only applicable when the balance column is used and is not only reliable but practically infallible. As its president states: "The human mind is inclined to assent to what is presented to it, and if the figures of the test have *not* been copied or compared, but are the result of a *mental process*, a vastly higher degree of dependence may be placed upon them."

President Sprague thus describes his system: "The first step in the posting is really not posting at all; it leaves the debit and credit columns blank and inserts in the balance column the increased or decreased balance which results from

POSTING AND PROVING

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B	CAYUGA COUNTY SAVINGS BANK, AMOUNTS OF CREDITS TO DEPOSITORS AUG 20 1908 Sec. 2	20 4000 40000 1000 K 45000	Deposited in CAYUGA COUNTY SAVINGS BANK For Credit of <i>John Doe</i>	AUG 20 '908	50*	No 105 200
				Bills		DOLLARS CRNS
C	Verification of CREDIT Postings AUG 20 1908 Sec. 2	15 200 J 10 17919 M 6 19.00 J 10 - K 4500	Deposited in CAYUGA COUNTY SAVINGS BANK For Credit of <i>Mail Carrier</i>	Deposit made by _____ TOTAL \$	515*	No 17919
				Bills		DOLLARS CRNS
C	AUG 20 '908 25*	No 19100	Deposited in CAYUGA COUNTY SAVINGS BANK For Credit of <i>Paul Burns</i>	Deposit made by _____ TOTAL \$	10	DOLLARS CRNS
				Bills		
C	AUG 20 '908 25*	No 19100	Deposited in CAYUGA COUNTY SAVINGS BANK For Credit of <i>Paul Burns</i>	Deposit made by _____ TOTAL \$	10	DOLLARS CRNS
				Bills		

ASSEMBLING ITEMS IN ONE GROUP FOR POSTING TO JOURNAL. ADDING
MACHINE USED IN "B"-PEN IN PROVING THE POSTING.

the deposit or draft. The bookkeeper has in his hand both deposit and draft tickets, assorted numerically, *but not separated*, so that he must discriminate between a plus and a minus in every case. Having properly checked each ticket, as entered, he turns the bundle over to the chief accountant, and commences to perform the second stage, not upon those accounts, but on a section which his predecessor has been putting through the first degree. These sections rotate among the bookkeepers daily, so that Mr. A, who began to-day on Section No. 1, starts to-morrow on Section No. 2, doing the second operation on Section No. 3. No bookkeeper has any permanent section under his dominion; every few days he passes over the entire field, and there can be no complaint about unequal distribution of labor.

"To return to the 'second stage,' for which ruled sheets are provided. A list of the numbers of the tickets which have just been used in the work is written down the center

of the page, using the adding machine for this purpose. The second stage bookkeeper, armed with this list, *having no access to the original tickets*, goes to each account and inspects the last two items in the balance column. They must show either an *increase* or a *decrease*, and the bookkeeper can only ascertain *which* by subtracting the amounts. If there is a *decrease* of ten dollars, he inserts ten in the debit column of the ledger and ten in the 'decrease' column of the sheet. If there appears an *increase* of ten dollars, he inserts ten in the credit column of the ledger and ten in the increase column of the sheet. He also writes the name which he finds at the top of the account, having no clue to the name on the ticket.

"Finally the tickets and the lists have reached the accountant, who separates the deposits from the drafts and carefully compares each ticket with the list. They should agree in the following respects:

- "1. The number.
- "2. The name.
- "3. The amount.

"Having eliminated any errors found, the totals are made up by the smaller sections and recapitulated, finally reaching an agreement between the increase and the decrease of the depositors' balances and the increase and decrease of the tellers' cash. Barring the possibility of double and compensating errors (which, though rare, is always with us) any error would throw the final figures out, whether it be in amount, in the wrong side, in the wrong account, or, most important of all, in the derived balance."

POSTED WHILE YOU WAIT.

In the Strafford Savings Bank of Dover, N. H., *posting is done at the time of the original transaction*. The teller makes his entry at the window (e. g., in case of a withdrawal), takes the depositor's receipt and sends the pass-book, with a charge slip for the amount to be withdrawn, back to one of the bookkeepers. She selects the deposit card, corresponding in number to the bank-book, enters all back dividends on the book and then enters the withdrawal on both book and card. The card is then placed in a special drawer and the book returned to the paying teller, who passes it, with the cash, to the depositor. At the end of the day the

cards are checked back with the paying teller's sheets and are then filed in place.

DAILY TRIAL BALANCE.

In the Home Savings Bank of Boston they use the card ledger, and the active cards are removed from the tray at the time of posting, and at the end of the day's work *a trial balance is taken of those cards*. They use a fifteen-bank adding machine (Burroughs) with the split and normal device which allows two columns to be added simultaneously. In the left-hand column they add the old balance on the card, that is, the balance before the transactions are posted. In the right-hand column is added the new balance. To the sum of the old balances are added the deposits for the day, and to the sum of the new balances is added the drafts for the day. The results of the two columns should be alike. The transactions are then listed numerically and sub-divided to correspond with the contents of each tray, a sub-footing being carried out.

In the front of each tray of ledger cards they have what is called a proof card, which shows at all times the balance to the credit of that tray, the deposits for each day being added and the drafts deducted. It is a very simple matter at any time to take off a complete trial balance on any tray, and owing to the fact that a daily trial balance is taken of the active accounts, an error is very rare. The tickets, deposit and draft, after a proof is made and they have been listed, are sorted away numerically, *so that the transactions of any one depositor are all together*.

A MAINE IDEA.

The Bangor Savings Bank, Bangor, Me., uses the following system:

The sheet system was adopted after installing the card ledger, and has been found to facilitate the work very much. The sheets are used on strong, light boards, held in place by a ten-inch Globe clamp. A deposit is entered when taken, number, name and amount, the ledger card is taken from its case, a red tag dropped into its place, deposit book balance is compared with the ledger card and the card stood in a box marked "deposits," handy to the deposit sheet at the receiving

teller's window. All postings to the ledger cards are made from the sheets, and if the cards are placed in the deposit box, one back of the other in order of deposits taken, they will be in regular order for posting and for the comparing of postings, thus saving much handling. After the day's entries are made and compared, the cards are returned to the cases. The payment sheets and cards are used in a similar manner, the paying teller entering the number of account, amount to be drawn and taking signature of payee.

At the close of the day, the sheets are footed, footings carried to cash book, then filed away till the end of the year, when they are bound.

Bangor Savings Bank in account with Individual Deposits,

Dr.

DATE	No. of Accts	NAME OF DEPOSITOR	AMOUNT
		Amount brought forward	9367.20
Nov 2	35892 ✓	John Brown	100
	29873 ✓	H. D. Burns	525
	32268 ✓	S. P. Blaskey	70 -
			<u>10082.20</u>
		DEPOSITS AS RECEIVED ARE LISTED HERE AND CARRIED TO THE CASH BOOK SHOWN IN THE FORM BELOW	

Dr.

BANGOR SAVINGS BANK,

B

DATE	PAGE	CASH	FROM	DEPOSITOR	INTEREST	SUNDRIES
Nov 2		To amounts brought forward,			10082.20	

Debit side of cash book, to which deposits are carried in bulk from the deposit journal shown above, together with interest received and such other items as mortgage payments, receipts from bonds matured or sold, etc.

We, the undersigned, acknowledge to have received of the BANGOR SAVINGS BANK, of Bangor, Maine, the amounts set against our names respectively, in payment, in part or in full, of sums deposited in said Bank in our names or subject to our control.

C

DATE	No. of Accts	AMOUNT	Dollars	Cts	SIGNATURE
		Amount brought forward	3527.00		
Nov 6	23758 ✓	Ten dollars	10-	-	J. S. Burns
	18329 ✓	Fifty -	50-	-	P. B. Blaskey
	20200	One hundred -	100-	-	M. A. White
		DEPOSIT JOURNAL WHICH IS SIGNED BY THE DEPOSITOR. TOTALS ARE CARRIED FROM HERE TO THE CREDIT SIDE OF CASH BOOK.			

POSTING AND PROVING SYSTEM OF BANGOR SAVINGS BANK, BANGOR, ME.

Each deposit is crosspiled in a compartment, and so are kept distinct for checking back. Orders are filed away in order taken. No other books are used in the receipt or payment of money.

A CONNECTICUT METHOD

The Middletown Savings Bank of Middletown, Conn., enters the items of deposits and drafts in bulk, as will be seen from the following: Money received, whether for deposit, interest, rents or payment on loans is entered on a "Received" ticket, and the ticket placed with the money until it is checked up. *Receipts other than deposits are copied on the journal, all deposit tickets are added together and entered as one amount on the journal.* All "Received" tickets are added up on an adding machine at the end of the day, and must agree with the footing from the journal and the cash received. All "Paid" tickets are treated as above stated, and the difference between the two shows the cash balance.

All deposit tickets, "Received" and "Paid," are entered on a slip each day, number of account and amount of entry; each slip is in turn copied off into divisions, and the entries in each division being added up at the end of the month, show the increase or decrease of that division for the month, which being added to or subtracted from the balance of the division for the preceding month gives a new balance. Each six months these balances are proved by comparing with the previous six months' balance, and this proved balance is entered in ink on the deposit account card (they use the card system). As all of the proving work is done by machine, they carry about two hundred accounts in each division.

THE SILK CITY DOES IT DIFFERENTLY.

In the Paterson Savings Institution the tellers never make an entry on depositors' pass-books. The bookkeepers receive the pass-books, compare them with ledger accounts, make the desired entry in the book, and fill out a deposit slip, which is initialed by the particular clerk who makes the entry. The clerk also writes the same initial in pass-book, and it is as much a part of the entry therein as the date and sum involved. The passbook is then passed to one of the

tellers, who receives the money from the depositor, at the same time returning to him his book. The teller, for the purposes of his money proof, enters in a book, conveniently ruled, the number of the passbook and the sum received, as indicated by the passbook entry.

The deposit slips are taken by a junior clerk at convenient times during the day and copied in a book prepared for that purpose, and this clerk places a check mark on the ticket against the word "Entered." The total shown by this book at the close of the day must prove with the teller's list of the same transactions, and the system proves a very effectual check against omissions, either by the teller from his list or by the bookkeeper in failing to make out a slip, as an instance has never been known where both teller and bookkeeper have omitted the same item.

The bookkeepers now take the deposit slips and post *from them* to the ledgers, entering not only the amount shown by the ticket, but at the same time extending the new balance of the account into the balance column. The bookkeeper places a check mark on the slip against the word "Posted." Another bookkeeper, who does no posting, now takes the book into which the deposit slips have been copied in full, and from it compares the postings on the ledgers, checking the same, also proving and checking the newly extended balance. The deposit slips are bound in suitable packages and filed away. The occasion for again referring to any of them is very rare indeed, but they are filed, nevertheless, so that should necessity arise they can be produced on short notice.

Note—Parts of the foregoing will be found in treating deposits and withdrawals and repeated here in order to lead up to the posting proof. The proof of cash and proof of posting so interlock that repetition is quite unavoidable.

CHAPTER XXIII

TESTING TIME IN THE SAVINGS BANK

Of all experiences that come to the savings bank book-keeper, there is none more satisfying than that sense of relief which comes when the trial balance is off and corresponds with the general ledger. It is a rather unusual thing to strike a correct proof at first, and a review of the work is usually required, for in spite of the most careful work, errors are bound to creep in, and in the stress of the work are more difficult to find than if the work were done under a less severe strain. It is the common experience of savings bank clerks to find that trivial errors are overlooked time and again, until the checking process becomes most wearisome. In a large bank with upwards of sixty thousand accounts, this work is crowded into three strenuous weeks of about fourteen hours a day. The interest having been computed and posted must be extended and the balances taken off, usually after hours when the strain of the day has made the mind less acute and more liable to err. And it is an easy matter to make a trifling error that may throw the whole work out of true, and nothing remains but to go over the work until it is found. The author has seen efficient clerks work to the point of breakdown in the endeavor to locate an error, and in despair turn the work over to another, who has found it without difficulty. The better way in such cases is to relieve one another and let one who has not done the work before check that particular part. It is a matter of chagrin to find that one has gone over his own error several times without detection. But the feeling of satisfaction that ensues when everything is in balance is worth its price, and the sure test of efficiency in the working force is demonstrated when the men will not rest content until every error is promptly found.

When it is remembered that banks having over a hundred thousand accounts and whose transactions with the depositors number over four hundred thousand a year, exclusive of interest postings, keep their books in perfect

balance, the magnitude of the bookkeeping in a large savings bank will at once become apparent. The mechanical process of proving the accuracy of these half million entries and extensions is trying at best, but if the figures do not prove, it may mean a long, tiresome hunt to locate the error. The bank that thus keeps its books in balance must have due regard to system, checks and counter checks, lest in the vast sea of entries, an error, simple in itself, and yet the easiest thing imaginable, creep in to discount all that may have been done correctly. Many men, of many minds,

DEPOSITORS' BALANCES

Balance Dec 1.		December		January,		Dividend, June 1.			
Number.	Amount	Dr	Cr	Dr	Cr	6 Months.	3 Months	No Int	Dividend.
5.128	1232					1232		100	1464
129	1170					11		70	22
131	822		10			8	10	22	26
133	101					1		01	01
134	928					928			1856
137	2867					2867			5734
138	1202					12	18	02	42
140	9017					86		1117	172
142	10	18	12			2			04
143	83737					837		37	1674
144	1008					10		08	38
145	1					1		20	04
146	1010					1010			2020
147	1287					5		87	10
150	821917		100			8210	100	17	16538
	152596					15238	128	13346	30604

TRIAL BALANCE SHEET COMBINED WITH A SKELETON LEDGER, SHOWING TWO MONTHS ONLY, ON ACCOUNT OF THE GREAT LENGTH OF THE SHEET. THE SOCIETY FOR SAVINGS, OF HARTFORD, CONN., KEEPS ITS ACCOUNTS IN PERFECT BALANCE BY THIS SYSTEM. FEBRUARY, MARCH, APRIL AND MAY OMITTED. CARD SYSTEM USED FOR INDIVIDUAL ACCOUNTS.

have wrestled with the problem, and each has solved it in his own way—the best of course; but it is not the item that is correctly handled that causes the work and the worry; it is the unlooked-for, the unexpected, the unnoticed, that rises up to mock us, for one entry *wrong* will discount ten thousand right. Until that man is born whose brain never slips; who never gets five out of two plus two; who is more machine than man, and cannot err, the trial balance will cause the bookkeeper more or less apprehension.

The object of all accounting is accuracy, and all sorts of schemes and counter checks have been devised to prevent errors, but once getting through the first proof, or a counter error occurring to balance, only at the testing of the work as a whole will the error be discovered. Then, somewhere in a thousand or two thousand accounts; or somewhere in three or six months' work, a mistake has been made and nothing remains but to run it down.

The experienced bookkeeper learns of the most likely methods to detect mistakes. For instance, a shortage of \$81.00 would naturally, applying the rules of 9's, be \$90.00 posted \$9.00; a shortage of \$10.00 might be an omission, a \$5.00 credit posted as a debit, a double posting, a mistake in footing, extending, etc.—a dozen places readily suggest themselves, but when the usual tests fail, and it may be in one of many places, *it is a proposition.*

THE ADDING MACHINE TO THE RESCUE.

The adding-machine is now in universal use, both in banks and business houses. The "fifteen bank" machine, allowing the full number of the account, together with the ledger balance, to be listed, makes itself especially valuable. As to systems, they are legion. In many instances, the trial balance forms the basis of the interest computations; but where this is not the case, and in many instances where it is, the forms are merely a roll, or loose sheets of paper, as suits the fancy. Where the two are combined, it simplifies matters, the one aiding the other, and a few representative forms for such are shown.

HELPS TO ACCURACY.

The trial balance is a test, a proof, of work done. Its sole object is to prove, and that system is best which will accomplish this result in the quickest and easiest manner. The result should be primary; the appearances secondary. Looks are good, but results are better. To facilitate this work, one thing is primarily essential, *i. e.*, that the ledger balances be correct. This has already been treated. Without a good system to keep these correct, the trial balance becomes a burden; with these accurate, it is a mechanical process, as above noted. But aside from this, three things

NUMBER	6 MONTHS	5 MONTHS	4 MONTHS	3 MONTHS	2 MONTHS	1 MONTH	INTEREST	DIVIDEND	BALANCE AFTER DIVIDEND
503	818							4	816
5	281200							56.24	286824
7	30000							6.00	30600
5	21245							4.36	22281
1	40474							8.08	41288
12	1,027.39							20.54	1,047.93
3	91478							18.28	933.05
4	80216							16.04	818.20
384	180.66							3.90	230.86
5	51119							10.28	521.41
7	3017							6.0	30.77
5	61629							12.32	628.61
1	1,000.00							20.00	1,020.00
20	500.00							10.00	510.00
3	500.00							10.00	510.00
5	1072.87							21.44	1,094.31
6	22445							4.48	228.93
7	17.75							3.4	18.09
8	789.25							15.78	805.03
9	257							4	261
32	30.57							6.0	31.17
3	8370							1.66	85.36
4	273							2.1	16.49
5	61835							12.36	630.71
6	1,180.57							23.60	1,204.17
8	584.50							11.68	595.98
4	1,091.79							21.82	1,113.61
40	1,090.04							21.80	1,111.64
1	848.58							4.96	251.49
2	56119							11.22	572.41
5	26312							5.65	388.72
7	21316							4.26	217.43
108	50.00							10.8	76.08
52	2667							5.8	36.51
2	223							4	22.27
5	5339							6.6	34.05
3	110.62							2.20	112.82
117	777.50	130						17.70	928.20
60	486							8	494
1	1,615.83							32.26	1,646.09
335	145.90	15						3.15	164.05
448	2,157.26							44.80	2,702.06
50	39.55							8.6	42.41
9	561.06							11.26	574.32
149	407.11							8.49	450.60
269	267.46							5.69	308.19
7	559.34							11.18	570.52
3	102.95							2.04	104.99
1	800.90							4.00	204.90
80	108							2	104
	8495853*	14	14	70	70	70	144.95	504.61*	26397.24*

INTEREST SHEET SHOWING USE OF THE ADDING MACHINE. ALSO CONTAINS THE BALANCE AFTER INTEREST HAS BEEN ADDED TO OLD BALANCE.

seem to be advisable in this connection and quite commonly in practice; namely, first, the grouping of accounts, so that each section or group may be proven separately. An error developing, it is far easier to locate it in a thousand accounts

TESTING TIME IN THE SAVINGS BANK

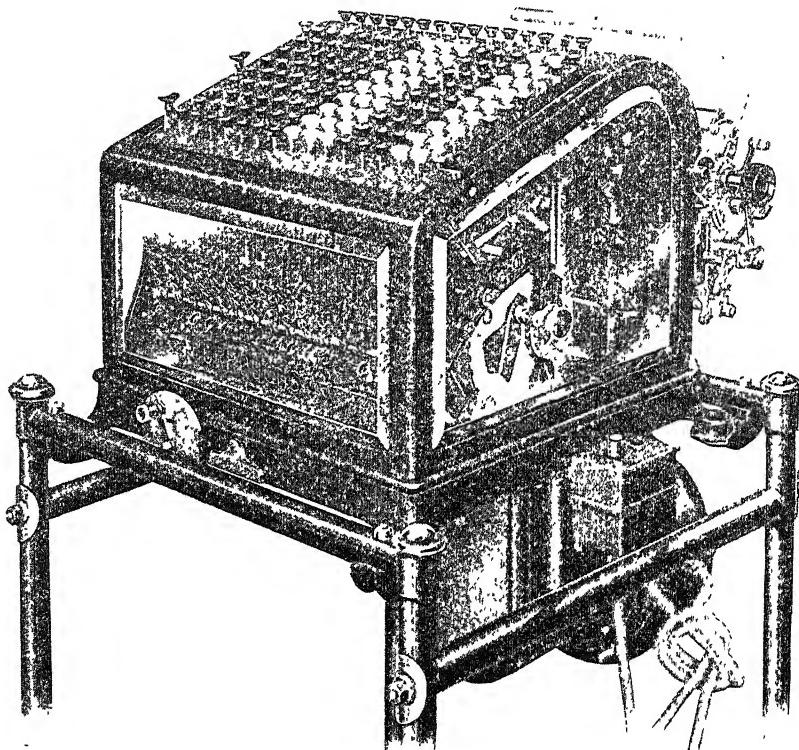
than to be obliged to hunt through five thousand; to have three or six month periods under test, than to wait until the end of the year. Some banks take tests monthly, others quarterly, but most commonly, every six months. In some banks, the balances that are disturbed are proven at time of posting, but only the final testing will prove work as a whole.

The journal-cash book, in common use in most of smaller banks, ruled in columns representing these groups of accounts, makes it an easy matter to keep account with each section and prove separately. The same result is accomplished in the larger institutions by using sheets, with proper rulings for distributing the transactions. Representative forms have been shown in discussing the posting methods. The perforated sheet, quite commonly used, forms the basis of an admirable system, both for grouping and proving.

Secondly, to allow for items posted after the date of taking the balance. The credits must not be included in the debits and closed accounts *must be in the balance*. It therefore becomes necessary to do it quickly, with as little chance for this as possible. If the bank could shut the doors and do no business until this work was over all would be well, but business must go on, and the date routine followed, else a huge mass of work will accumulate. Some banks postpone the ledger extensions until this work is complete, and one omits posting altogether, but where a daily test of the balances disturbed is made, this is quite impossible, and great care must be taken not to list those which does not properly belong in the balance. Here the rapidity of machine work becomes exceedingly valuable.

Thirdly, to keep the trial balance and interest work separated, so that the two do not fall on the same day. Interest methods will not be discussed here, but suffice to say that every man has his own way of doing things, and some seem to have selected the hardest and most cumbersome methods imaginable. However this may be, they will require time, and where the trial balance forms the basis for the interest work, the periods should be near, otherwise the trial balance is of no great help in interest calculations. In the majority of instances, only the drafts affect the interest after certain dates and the interest work can be anticipat-

to a large extent.* If interest is paid in July and January, as is generally the custom, the trial-balance can be taken to advantage May first and November first leaving the months of May and November for trial-balance work and June and December for interest computation, and this would seem to be highly desirable.†



THE BURROUGHS "FIFTEEN BANK" ADDING MACHINE. PERMITS LISTING THE FULL NUMBER OF THE ACCOUNT AND THE BALANCE.

(By courtesy Burroughs Adding Machine Co., Detroit, Mich.)

Under the régime of the bound ledger, the time consumed in finding the living accounts among the dead made the process a slow and tedious one; but with the coming of

*Savings banks rarely pay interest on daily balances; a few pay from the date of deposit. The usual rule is to pay from quarter days or the first of each month. In the former no deposits after April 3 and October 3, and in the latter, June 3 and December 3 would affect the interest. (Dividends January and July.)

†Some banks take a proof immediately *after* posting the interest-dividend to prove extensions.

No.

Balances due Depositors April 30th, and Interest due July 1st.

Sectional Balance Sheet. (April 30th,)

This section includes the accounts from \$8,800 to \$8,649. The interest due on the following July (\$116.30) is also shown.

To the total of these accounts is added the deposits for each month as shown below, together with the interest credited thereon, making a total of \$10,638.97, from which is deducted the draft (\$3,549.10) leaving a balance due as of October 30th, the time of the next trial balance, of \$7,279.87, which proved to be the total of the balances on these accounts.

	Deposits	Drafts		Deposits	Drafts
MAY	69	17793	MAY		
JUNE	323	42470	JUNE		
Interest	116.20	—	Interest		
JULY	1134	15172	JULY		
AUGUST	735	13982	AUGUST		
SEPTEMBER	111	2VV	SEPTEMBER		
OCTOBER	212	104(V) 34810	OCTOBER		
Drafts	1062297 334010		Drafts		
Balance	727987		Balance		

the card and looseleaf ledgers, where every card or sheet *represents an open account*, it becomes mechanical to a high degree and any (careful) boy of sixteen can do it. But the finding of errors, if such there be, is the work of a man, and requires experience, often bitter, and training, long, to teach the most likely places in which such a difference could occur. No matter what the system, either of posting, proving, or interest work, one thing remains true, the adding-machine has now become *the means*. For this it is eminently fitted, and is coming to be a necessity.

THE TRANSITION OF THE TRIAL BALANCE.

On the top shelf in the vault of the — — — Savings Bank stands a row of books, placed there “for future reference.” But the future not requiring any references of such nature, a goodly accumulation of dust and cobwebs has gathered thereon, giving them that ancient look that characterizes historical works of art. They are the trial balances of the past forty years, and are indeed works of art, produced by the sweat of many brows, and the history recorded therein is one of much struggle and anxiety.

The changing character of this collection of antiques well typifies the transition of the trial balance from a work of art, laboriously produced, to a product not only a thing of beauty, but a joy forever. For a number of years the record would be found to consist of the *full name* of each depositor, the number of the account, also in full, and the amount, together with the distribution for interest calculation, all *carefully* done in ink with much pains—the word pains meaning also “pangs of labor” (Standard Dictionary). As a matter of fact, for many years the work was first done in lead pencil *to get it right*, and then carefully copied in ink (often to get it wrong), and the latter duly placed in the graveyard to rest, while the pencil copy, being the *original entry*, formed the basis of future calculations.

As time wore on, the christian name was abbreviated and only initials used; then the first name and initials were dropped entirely, and only the surname used, and the *full number written only at intervals as a guide*. In due course of time, the providence that watches over bank men and endeavors to lift their many burdens sent the man with the adding machine, who, after much persuasion, obtained

NUMBER	Balances Nov. 1, 1907	Payments	Deposits	Interest	Balances May 1, 1908	Payments	Deposits	Interest	Balances Nov. 1, 1908
97000	3,236				3,236				
97001	6				6				
97002	2				2				
97003	1,640				1,640				
97004	1,142.21				1,142.21				
97005	1,142.21				1,142.21				
97006	3,17				3,17				
97007	71				71				
97008	5				5				
97009	10				10				
97010	113				113				
97011	120				120				
97012	121				121				
97013	121				121				
97014	12				12				
97015	12				12				
97016	1				1				
97017	5				5				
97018	10				10				
97019	40				40				
97020	1,142				1,142				
97021	2,30				2,30				
97022	1,142				1,142				
97023	1,142				1,142				
97024	1,142				1,142				
	3,236.14	121.31	3,236.50	" 1.54	4,238.23	21.15	1.93	87.81	4,117.41

FORM COMBINING TRIAL BALANCE, INTEREST COMPUTATION, SKELETON LEDGER AND PROOF OF LEDGER EXTENSIONS. QUITE AN ELABORATE FORM NECESSITATING MUCH LABOR, BUT A SURE TEST OF THE BALANCES. USED BY THE SPRINGFIELD INSTITUTION FOR SAVINGS, SPRINGFIELD, MASS.

consent to ship a machine on trial, with full assurance that he was "wasting good express money." But he knew better, and the machine "stayed put," and from that time on,

the record shows merely a column of account numbers and ledger balances. Detail has given way to despatch, and accuracy has gone hand in hand with speed, and the man with the writer's cramp need only press the keys (the right ones of course) and pull the handle. A grateful savings bank fraternity should build a monument to the man who invented mechanical addition, for if any one thing lightens the burden of overworked bank clerks, it is the adding machine. To sing the praises of this bit of clever mechanism, is not the primary purpose of this chapter; but if that row of books could speak, they would testify in no uncertain tone of the value and adaptability of this invention to this particular part of savings bank work, and as for hand-work,—say “never again!”

THERE'S A REASON.

If a reason were sought why savings banks, everywhere, take extreme care that the ledger balances shall be correct at all times, the answer would not be that the bank runs any great risk of monetary loss through such errors, for payment is made only on presentation of the book, and the book is, or should be, compared before paying any large amount, and the book is *supposed to show* the correct balance due. But the real reason would be found to be: First, that *an error is an error*, and as such should not be tolerated; and second, if not found at the time of posting proof, is bound to turn up at trial balance time and cause endless anxiety and annoyance.

But however this may be, grave danger lies in neglecting the trial balance. Occasionally a savings bank failure reveals the fact that the trial balance has been neglected, sometimes for years. Failures in Massachusetts and Connecticut have within comparatively recent years uncovered such a state of affairs.

Here is an old scheme that was operated as early as 1823, by a clever Englishman. In taking deposits, say of ten, twenty and thirty pounds, respectively, he would enter the correct amount on the book, drop the cipher on his tickets, and keep the balance. His cash balanced, naturally. After his superior officer had checked back the work, he would enter the ciphers in their proper places, making the ledger account agree with the book. Not having a modern

system of bookkeeping, he was not detected for a long time; but it will quickly be seen that had a monthly statement been taken of the general ledger (supposing they had this useful article) and a periodical trial balance, he would have met his Waterloo much sooner.

The processes heretofore described to insure accuracy in posting may seem to savor of red tape, and be more or less needless; but the clerk who has been confronted with an error, great or small, that existed somewhere in from two to five thousand accounts, and anywhere within six months' work, needs no philosopher to convince him that an ounce of prevention is better than a ton of cure, and the best way to find an error *is not to make it.*

The new-comer in savings bank work confronted by a shortage, say of ten dollars, and who is advised by older heads to check back his postings from the ledger to the journal (if postings are so made) is apt to heave a big sigh and start in reluctantly, wondering *why*,—since he has checked everything from the *journal* to the *ledger*; but when he discovers a ten-dollar draft that was posted to the wrong account and not detected and also posted to the right account, thus making a double posting, he will quickly understand that the check that didn't check an unchecked item was no check at all. But whatever method is adopted to prevent omissions and *commissions*,—one thing remains true: barring counter-balancing errors, only a trial balance of the work as a whole will demonstrate the accuracy of the work in detail. And, no matter how meritorious the proof of daily posting may be, only such a comprehensive test can verify the work for the period under proof.

PROOF BY GROUPS.

As heretofore suggested, practically all banks group their accounts. In taking trial balances these groups are first tested and then the work as a whole is balanced with the general ledger. In fact, it seems hardly believable that any bank man would be so short sighted as to try to keep any great number of accounts without such a system. In making this group test, as will shortly be seen, as low as thirty-two accounts are balanced separately; but the number is optional.

We must, of course, have a correct starting point, and

the problem generally resolves itself into adding the receipts to the last trial balance and subtracting the drafts. It is, therefore, absolutely essential that the account with the group be accurately kept, for to test by an erroneous balance is about as difficult a proposition as one could undertake. But with the help of a good system to insure correct grouping, and another to insure correct balances, aided by the adding machine to take off the "grind," trial balance work becomes a pleasure, and there is a certain satisfaction that comes over a man when, upon striking his proof he finds it to be correct; and whatever of care and pains he has exercised in his daily work finds its reward at this time. It is no unusual thing in large and well-managed banks to have sixty per cent. of their groups, or ledgers, balance upon first test. Such events are not accidents, however, and accuracy has cost its price in care.

But how often shall such a test be made? That would depend upon the excellence of the daily proof of posting. If the postings are merely *checked back* (and cases are on record where such have been checked as having been posted, and again checked as posted correctly, when they were not posted at all), and no proof of the extension of the ledger balances is made, a monthly proof would be *desirable*, but not *generally possible*, and the better part of wisdom would seem to be to pay more attention to the daily postings and take the trial balances at three or six months' intervals. In fact, a canvass of this matter among the New York banks shows that semi-annual tests quite generally prevail. If a bank whose transactions average two thousand a day can keep its books in perfect balance by a six months' trial balance, so can its more modest neighbor.

TRIAL BALANCE METHODS.

In a New York savings bank, whose open accounts number 32,000, the following system of posting and trial balance is in force: At the close of the day the tickets are sorted numerically and placed in clamps, one for each ledger. The next day these items are posted without removing from the clamps. In order to prove the work, two day books are used for each ledger, debit and credit, and the numbers of the accounts as per the tickets are written down. The proving clerk turns to the ledger and sets down

opposite the number whatever he finds posted on the account. The items are checked back from the book to ledger and totaled.

With all the advantages of the adding machine, there are still many banks that adhere to the hand method of trial balance work, for the good and sufficient reason that the accounts are so numerous that a large number of machines would be necessary, and where the bound ledgers are still used, a machine for every two or three ledgers would be required if the work were to be done with despatch. This bank, at trial balance time, calls in extra help, and takes down all balances in ink, no erasing being allowed. The balances are checked back, and any errors are reported to the secretary. Postings are held back until balances are all taken down (but not footed), which usually requires about two days. The footings are made by two men, but are not taken down until the last clerk has been over the work, having been kept on a separate sheet. If the totals agree, the footings are written down in ink. The group accounts are carefully kept and each group is balanced by itself, only the secretary knowing what the group calls for, and the footings are verified by him when proof is ready. This is really a "blind" system, as no one knows his proof figures and there is no chance of forcing a balance. The total of the groups must, of course, tally with the general ledger; any errors being traced to the proper groups and located.

In the Jefferson County Savings Bank of Watertown, N. Y., the following system is in force:

Trial balance sheets for individual ledgers are ruled with a column for folio, previous balance, total drafts on each account, total deposits and interest added, present balance, and ruled for thirty-six accounts. The previous balance is the last trial balance. All drafts made on each account since last trial balance are added together, and the total entered in debit or draft column. All deposits made and the interest credited since last trial balance are added together and entered in credit or deposit column. The present balance of account is entered in the present balance column. Each line represents an account, and the transactions thereon for six months.

To prove the work the previous balance and credit columns are added together and should equal the sum of the

debit and present balance columns. If they do not agree, there is an error in those thirty-six accounts, which is easily located. Each ledger is verified in the same way, proving the thirty-six accounts at a time. The total footings of these sheets for this ledger will agree with the columns of this ledger on the general ledger.

Care is exercised not to leave any amount off or to go back of last trial balance date. Either will cause trouble and show error. It proves the posting is correct; that the interest was footed and entered correctly; and that the ledger is in balance. There is only one thing it will not prove, one error balancing another, on these thirty-six accounts.

The Portsmouth Savings Bank of Portsmouth, N. H., runs an account with each even thousand numbers. The deposit slips and withdrawal blanks are listed by adding machine monthly, and the amount added to or deducted from the balance due thereon. In taking trial balances, each division is subdivided into blocks of fifty, and each block of fifty is taken off and totaled. In this manner, twenty-two out of twenty-nine blocks have been found to have been correct the first time and the errors in the remaining seven blocks were found in a few hours.

In the Fitchburg (Mass.) Savings Bank, they use the loose deposit and withdrawal tickets. The cash is balanced from the tickets, and then the tickets are posted on the ledgers, and entered in the deposit and withdrawal books, this to make sure that no tickets have been lost during the posting process. These tickets are kept in temporary boxes, and arranged numerically daily, until the time for taking the trial balance arrives.

The dividend days are January 1 and July 1, and they take trial balance on the last business days of January and July, thus giving ample time to extend the dividends, as any system of trial balance that does not prove the extensions, as well as the postings, is of no value whatever.

Their system of trial balance is briefly this: The ledgers and tickets are subdivided into small sections, the sections in the inactive, or old, ledgers being larger than in the new ones, where the subdivisions consist of one hundred numbers. Dividends are made in separate books, one for each ledger, along the same subdivision lines. About a week before the time for taking the trial balance, they begin listing off the deposit and withdrawal tickets, building on to

them from day to day, until the actual taking of the trial balance.

The proof blanks are made up of the following items: Previous balances of the subdivisions; dividends credited; deposits credited; less the withdrawals.

The ledgers are listed with the adding machine, with the same subdivisions, and if the two agree, of course that ends it. If there is a difference, the subdivisions being so small, ordinarily the difference is found in a short time. Then the proofs are put together, making a general proof of the ledger, and when all the ledgers are done, a general proof is made of all the ledgers combined.

The deposits, withdrawals and dividends must agree with the separate books for those three items, and the total amount due the depositors must agree with the daily statement and controlling ledger.

They really get everything, except practically the last ledger, proved up previous to the day on which they take the trial balance. During that day, they list the last ledger, and ordinarily, within one hour of the conclusion of business, they have that ledger proved, and in a couple of hours or more, the proofs are all practically put together, and the trial balance is finished. They also absolutely prove the number of open accounts, which many banks neglect to do.

Under the old system of taking trial balance, where the entire ledger was drawn off and footed up into one item, it used to take, with a great many less accounts than they now have, *nearly a month*. With the loose deposit and withdrawal tickets and the system now in use, this drudgery has been reduced to the most pleasant work in the bank, consuming the time of the bank's force for parts of four or five days, and a pretty active afternoon for recapitulating.

In every way, the system is not only absolutely accurate, but an interesting and fascinating process.

The Springfield Institution for Savings of Springfield, Mass., uses a skeleton ledger as a check in case a card should be lost from the card ledger. On this, as will be seen, are listed merely the items, debit and credit, which postings are made by a clerk who did not make the posting on the card account. The trial balance is taken from this ledger and compared with the cards, account by account.

The totals of the accounts on each page must agree with the totals of the cards as obtained on the adding machine.

The most famous savings bank trial balance (and verification of pass-books as well) in this country, is that which is taken off at three-year periods by the Schenectady Savings Bank of Schenectady, N. Y., published in the daily papers and pamphlets sent to all depositors. The idea is original with them, but has since been used by other banks, and must have proven profitable and popular, inasmuch as it has been repeated several times. The idea is that depositors may verify their own balances, and is both a very clever advertising scheme and a practical audit of the bank's liabilities. In a printed circular issued shortly after their first experiment, the bank states:

By publishing the pass book accounts by number, a complete check is made upon the balance in each pass book, as well as upon the aggregate amount of all the depositors' accounts in the bank; the same principle applying to the assets, as they are all numbered, and when interest is received from mortgages, the numbers are given on the receipts for interest.

As no bank would publish less assets than it had, nor more liabilities than it had, the check is complete from the outside as well as from the inside of the bank.

The accounts were drawn off from the ledger cards with an adding machine. Each column of the newspaper carries 380 accounts, a footing being made for every column—such footings carried forward to the end of the list. The numbers of the accounts were put on with a hand stamp opposite the accounts. *Adding machines were used to foot the numbers as well as the accounts, in order to verify.* Adding machines that are listing machines will foot both numbers and accounts as they are drawn off from the ledgers.

The proofs received from the press, both numbers and amounts, were refooted by the machines to verify.

Announcement was made in the newspapers published in this vicinity several days in advance of the detailed statement. We stated that numbers and amounts *only* of depositors' accounts would be published. The Schenectady Gazette has about 17,000 circulation, our statement being a part of the regular issue.

The expense to the bank for the statement complete including 10,000 copies in pamphlet form, postage and advertising for the special report was in the neighborhood of \$1,000. The sales of the paper on the day of issue, Feb. 20, were very large, and we find that very many of our depositors compared their accounts on that day.

No objection has been made on the part of our depositors or anyone connected with the bank in any way, to the publication of the detailed statement. On the other hand, much gratification was expressed and many compliments paid to the bank by those interested, and by the public, at home and abroad.

The pamphlet containing the detailed statement will be distributed from the bank and through the mails, to banks and others.

It is not intended by the bank to make a detailed statement regularly, but only at such periods as may be chosen by the management.

It is perhaps well to note that a check upon the business of a bank is not to be obtained completely by calling in the pass books, as even if such a system could be made complete, the public cannot verify the aggregate of the deposits. Such verification is made by publishing the list of accounts—this applying to assets as well as to liabilities. Although this detailed statement was made during one of the busiest parts of the year for a savings bank, and a special abstract being made of depositors' accounts (our regular abstracts are taken May and November), the regular business of the bank was not interfered with to any extent, and no serious inconvenience attended the getting out of the statement. We employed but two extra helpers.

Note to last edition: The publication of balances was continued for a number of years, at three-year intervals. Owing to the large increase in number of accounts, the bank has found it impractical of late to continue the audit. The reaction was entirely favorable on the part of the public, and satisfactory in every way to the bank.—October, 1927.

CHAPTER XXIV

THE DIVIDEND, ITS DECLARATION AND COMPUTATION

Undoubtedly the most important feature in the management of a savings bank is the dividend; for the strength, if not the solvency of the bank depends upon the amount of interest which is paid to depositors. It is the pivotal point around which all other operations revolve. The amount of deposits is materially affected by the interest rate, and the ratio of surplus to deposits depends quite as much upon the dividend as upon the earning power of the bank. In the placing of mortgage loans and in the buying of bonds, the ultimate effect upon the dividend is a factor to be considered; for the question of income closely follows that of security. Not that the savings bank man says or should say to himself, "I must pay my depositors high interest and must therefore earn high interest"; but, rather, "I want my depositors to get the highest rate compatible with safety, and must therefore in justice to them make their money do its full duty to this end."

INTEREST OR DIVIDENDS?

Whether or no the amount that is periodically credited to depositors in red ink should properly be called *dividend* or *interest* is not a vital matter, but of enough consequence to merit consideration. *Interest* has a special, legal and technical significance. It is the "price paid for the use of money"—an amount usually if not always fixed and determined in advance, either by law or by agreement; or, as one authority puts it, "The increase in a debt due to the lapse of time." A *dividend* is something *divided*, and is usually indeterminate until profits are estimated and the dividend and its rate *declared*.

Savings banks do not, as a rule, promise interest in advance; in New York they are forbidden to do so. The rate is not therefore subject to agreement and cannot be

known beforehand. But the interest credited is the *distributive share of the bank's earnings*, pro-rated among the depositors who are, by the rules, entitled thereto. Being "distributed earnings" they are therefore properly called dividends in speaking of the aggregate of the interest credits.

The dividend is now quite generally spoken of as interest. And since the rate is not generally promised in advance, dividend would seem the more apt term; but considering also that it depends upon time, it is in that respect, strictly speaking, interest. The term interest-dividend would seem to be the most exact.*

In a discussion in the New York Legislature on this subject, one Senator proposed to make a distinction between the profits distributed, calling the semi-annual distribution "interest" and the extra allowances at irregular intervals "dividends"—a distinction without a difference. Where interest rates are promised in advance, it is an agreement that probably could not be enforced against a mutual corporation, such as a trustee bank, if it should turn out that the agreed rate could not be paid without entrenching upon the deposits. The trustees have no authority to pay a dividend they have not earned and would be liable for it.

DEPOSITORS TO SHARE EARNINGS IN FULL.

The original theory of the New York Legislature concerning dividends to be paid to depositors was, that the *entire profits* of the institution should be divided ratably among them, and a provision to this effect was inserted in the first charter, and has been inserted in nearly the same terms in every charter since that time down to 1875.†

In fact the charters of most of the early savings banks in all States contemplated the full sharing of the earnings among the depositors. Thus the charter of the Savings Bank of Baltimore provided that after paying depositors the agreed rate of interest (here the term "interest" is probably correct) the entire profits should be distributed every three years.

Provision is quite generally found in the laws of most States for extra dividends as the profits may warrant.

*Bolles Practical Banking, page 275.

†Keyes' History of Savings Banks, page 415.

EXCELSIOR SAVINGS BANK

The trustees have ordered interest credited to deposits on and after January 1st, 1911, at the rate of 4% per annum. Deposits made on or before Jan. 10th will draw interest from January 1st, 1911. Deposits made by mail, booklet "Banking by Mail," sent free. JOHN O' GRIESEWOLD, President.

JOHN O' GRIESEWOLD, Secretary

23RD ST. COR. 6TH AVE.
IRVING SAVINGS INSTITUTION

115 Chambers St., N. Y.
Near 5th Ave. Elevated Station

The Trustees have declared a dividend for the six months ending Dec. 31st, 1910, at the rate of

FOUR PER CENT.

per annum, on all sums from \$1 to \$3,000 entitled thereto under the by-laws, payable on and after Monday, January 18th, 1911.

Deposits made on or before Jan 10th will draw interest from Jan. 1st, 1911.

H. E. TENER, President.

GEORGE B. DUNNING, Secretary



**MAIDEN LANE
SAVINGS BANK**

170 Broadway, Corner Maiden Lane

4% **A semi-annual dividend**
at the rate of 4% per
annum, on all sums from \$1 to \$4,000

Deposits made on or before January 1st, 1911, on all

sums entitled thereto, from

January 1st, 1911, will draw interest from January 10th

will draw interest from January 1st, 1911.

Deposits received from Jan. 1st, 1911, to Nov. 30, 1911,

will draw interest from Jan. 1st, 1911.

23RD ST. COR. 6TH AVE. DIVIDEND.

Union Square Savings Bank

NO. 40 UNION SQUARE.

A DIVIDEND has been declared for six months ending December 31, 1910, on all deposits entitled thereto at the rate of

THREE AND ONE-HALF PER CENT.

DEPOSITS ON OR BEFORE JANUARY 1ST, 1911, TO \$3,000, PAYABLE

ON AND AFTER JANUARY 10, 1911.

Deposits made on or before January 10th will draw interest from January 1st, 1911.

FRANK M. HURLBURT, President.

JOHN T. WEERS, Cashier.

JOHN W. EMILE ROOSEVELT, Treasurer.

Open 10 to 3, Mon. to 7, Sat. 10 to 12.

Metropolitan Savings Bank

1 and 4 TAUNY AVE. (opp. Cooper Institute).

CHARTERED 1852.

115TH DIVIDEND

INTEREST FOR THE SIX MONTHS ENDING

DEC. 31, 1910, at the rate of

Four Per Cent. Per Annum

will be credited to deposits on and after January 1st, 1911, on all sums entitled thereto under the by-laws of the bank on sums from \$5 to \$3,000.

INTEREST PAYABLE JANUARY 15, 1911.

MONEY DEPOSITED ON or before January 14th will draw interest from January 1st.

JOHN W. EMILE ROOSEVELT, President.

EDWARD SHEHER, Secretary.

CITIZENS' SAVINGS BANK

66 AND 68 BOWERY, COR. CANAL ST.

1910 SEMI-ANNUAL DIVIDEND.

The trustees have ordered interest at the rate of

Three and One-Half (3½) Per Cent.

per annum to be paid to depositors on and after January 1st, 1911, on all sums entitled thereto under the by-laws of the bank on sums from \$5 to \$3,000.

INTEREST PAYABLE JANUARY 15, 1911.

MONEY DEPOSITED on or before January 14th will draw interest from January 1st.

HENRY SAYLER, Secretary.

EMILY HUBER, Assistant Secretary.

WEST SIDE SAVINGS BANK

SIXTY EIGHT AVENUE AND 9TH STREET.

FOUR PER CENT.

For amounts allowed on accounts of \$5 to \$4,000, will be credited January 1st.

Money deposited on or before January 1st, 1911, will draw interest from January 1st, 1911.

Deposits from Jan. 2nd to Sat. even 6 to 8 o'clock, C. H. RAMSAY, Pres. C. A. WHITNEY, Secy.

EAST RIVER SAVINGS INSTITUTION,

280 BROOKLYN AVENUE.

SURPLUS OVER 15%.

The semi-annual dividend has been de-

cated at the rate of

Four Per Cent.

per annum on all amounts entitled thereto, payable on and after Jan. 20th. Deposits made on Jan. 1st, 1911, will draw interest from Jan. 1st, 1911.

D. H. RAMSAY, Pres. C. A. WHITNEY, Secy.

THE KINGS COUNTY SAVINGS INSTITUTION

ESTABLISHED 1860.

Broadway and Bedford Avenue.

BROOKLYN, N. Y., DECEMBER 15TH, 1910.

A semi-annual dividend at the rate of

4 Per Cent. 4% Per Annum

has been declared and will be credited to

depositors, who on January 1st, 1911, may be

entitled thereto, payable on and after Jan-

uary 10th, 1911.

All money deposited on or before January 10th, 1911, will draw interest from Jan-

uary 1st, 1911.

HUBERT G. TAYLOR, President.

JOHNSON S. MCKEEON, Secretary.

JACOB HENTZ, Cashier.

GERMANIA SAVINGS BANK

KINGS COUNTY

375 FULTON STREET.

The trustees of this bank have declared

interest at the rate of

4%

per annum on all sums entitled thereto, on and after January 31, 1910, payable on and after

January 17, 1911.

Deposits made on or before JANUARY 15th will draw interest from JANUARY 15th.

ANNE P. GREENELL, President.

Oscar Thomas, Treas. F. Koch, Secy.

4% BUSHWICK SAVINGS BANK

GRAND & GRAHAM AV.

INTEREST FOR THE SIX MONTHS ENDING

DECEMBER 31, 1910, AT THE RATE OF

FOUR PER CENT.

Interest on all sums entitled thereto, from

\$4 to \$3,000, at the rate of FOUR PER

PER CENT. Money deposited on or before Jan-

uary 10th will draw interest from Jan-

uary 1st, 1911.

JERE E. BROWN, President.

GEORGE J. MERED, Cashier.

LOUIS G. BUREK, Secy.

ASSETS Sixty-five MILLION

SURPLUSES Over Eight MILLION

The Williamsburgh

SAVINGS BANK

BROADWAY AND BRIGGS AVE.

DECEMBER 5, 1910.

NOTICE is hereby given that the sum of

the Twenty-fifth day of January, 1911, a semi-

annual interest at the rate of

FOUR PER CENT.

per annum will be paid to all depositors in

this bank who on the first day of January, 1911, were entitled thereto.

Money deposited on or before Jan. 10, 1911,

will draw interest from Jan. 1st.

ANNE P. GREENELL, President.

E. B. TUTTLE, Vice-President.

S. H. ACKERMAN, Cashier.

Bank Open Daily, 10 A. M. to 8 P. M.

On MONDAYS from 10 A. M. to 7 P. M.

Established 1827

Corner Pierrepont and Clinton Streets.

Brooklyn Savings Bank

DEPOSITS 40 MILLIONS

Surplus January 1, 1911, Over 8 MILLION

Interest at the rate of

4 PER CENT. PER ANNUM

will be credited to depositors with this

bank January 1st, 1911, on all sums enti-

led thereto (payable on and after Jan-

uary 20th, 1911).

Deposits made on or before January 1st,

1911, will draw interest from January 1st,

1911.

BRYAN H. SMITH, President.

EDWIN F. MAXWELL, Comptroller.

LAWRENCE E. SUTTON, Cashier.

THE CITY SAVINGS BANK

OF BROOKLYN

Corner of Flatbush and Fourth Aves.

has declared a semi-annual interest

dividend on all deposits from \$0 to \$20,000

entitled thereto (payable on and after Jan-

uary 20th, 1911).

Deposits made on or before JANUARY 15th

will draw interest from JANUARY 15th.

REMEMB'R RUSHEMORE, President.

H. V. Raymond, Jr., Secy.

NEW YORK SAVINGS BANK

N. W. COR. 14TH ST. AND 6TH AVENUE.

JAN 1 1911 dividend at the rate of

FOUR PER CENT.

per annum on all sums from \$5 to \$30,000 entitled

thereto under the by-laws.

DEPOSITS PAYABLE DECEMBER 31, 1910.

WILL DRAW INTEREST FROM JAN 1, 1911.

WILLIAM FELSINGER, President.

JAMES L. WANDLING, Treasurer.

ARCHIBALD K. FENTZ, Secretary.

HENRY HASLER, Secretary.

HENRY SAYLER, Secretary.

EMILY A. HUBER, Assistant Secretary.

THE BANK FOR SAVINGS

IN THE CITY OF NEW YORK.

DECEMBER 15TH, 1910.

1880 SEMI-ANNUAL DIVIDEND.

The Board of Trustees has declared an interest

dividend on all sums entitled thereto under

the by-laws at the rate of

ONE-HALF PER CENT.

The Board of Trustees has declared an interest

dividend on all sums entitled thereto under

the by-laws at the rate of

ONE-HALF PER CENT.

The Board of Trustees has declared an interest

dividend on all sums entitled thereto under

the by-laws at the rate of

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the by-laws at the rate of

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The Board of Trustees has declared an interest

dividend on all sums entitled thereto under

the by-laws at the rate of

ONE-HALF PER CENT.

The Board of Trustees has declared an interest

dividend on all sums entitled thereto under

the by-laws at the rate of

ONE-HALF PER CENT.

THE DIVIDEND



THE REGULAR DIVIDEND
for the quarter ending Sept. 30th, 1927 has been declared at the rate of four per cent per annum.

Deposits made on or before Oct. 4th will draw interest from Oct. 1, 1927

Deposits received from \$1. up to \$7,500.
Open Mondays until 7 P.M.

GREENWICH SAVINGS BANK
Broadway at 36th St. 6th Ave. cor. 16th St.
Save! for whatever you will, but save.

Deposit 2% before Oct. 4th
Deposits made on or before the **Third Business Day** of any Month will draw interest from the first day of that month if left until the end of the quarter.

The regular quarterly **4%** per annum for the dividend at the rate of **4%** per annum for the quarter ending Sept. 30, 1927 on all sums from \$5 to \$7,500 has been declared and will be credited on and after Oct. 17, 1927.

OPEN MONDAYS 9 A.M. TO 8 P.M.

HARLEM SAVINGS BANK
125th ST. & Lexington Ave.

New York Savings Bank
N.W. Corner 14th Street and Eighth Avenue
4 QUARTERLY DIVIDEND

at the rate of 4½% per annum
FOR THE PERIOD ENDING OCT. 1ST HAS BEEN DECLARED ON ALL ACCOUNTS FROM \$5 TO \$7,500 AND ACCUMULATED INTEREST.

MONEY DEPOSITED ON OR BEFORE OCT. 4TH WILL DRAW INTEREST FROM OCT. 1ST.

Banking by Mail
Interest Begins the First of Every Month
Money to Loan on Bond and Mortgage
OPEN MONDAYS FROM 9 A.M. TO 8 P.M. HOLIDAYS EXCEPTED

EAST RIVER SAVINGS BANK
2½% PER ANNUM for the quarter ending Sept. 30, 1927. Twenty-first dividend at this rate since 1921. Surplus over eleven million one hundred thousand dollars—over (\$11,100,000.00) New accounts welcome, \$1 to \$7,500
291-3-5 Broadway, One Block North of City Hall, Open—
96th at Amsterdam

Deposits made on or before Oct. 1st will draw interest from Oct. 1st.

QUARTERLY DIVIDEND
declared for the quarter ending Sept. 30th, 1927 at the rate of 4% per annum

OPEN MONDAY EVENINGS
Main office to 9 P.M. Branch office to 6:30 P.M.

MANHATTAN SAVINGS INSTITUTION
INCORPORATED 1848
Main Office 154-156 East 86th St. Downtown Branch 644-646 Broadway

UNION SQUARE SAVINGS BANK
INCORPORATED 1848
20 Union Sq., Cor. 15th St.

QUARTERLY DIVIDEND
Credited Oct. 1, 1927 at the rate of **4%**
per annum on accounts of \$5 to \$7,500,
payable on or after Oct. 17, 1927

BANKING BY MAIL
Start an account with \$1
Hours: Mondays 10 to 7, Saturdays 10 to 12 Other days 10 to 3 Holidays excepted

FRANKLIN SAVINGS BANK
8th Ave., Cor. 42nd St., New York
MONEY DEPOSITED ON OR BEFORE Oct. 4th will draw interest from Oct. 1, 1927

MONTHLY INTEREST PLAN
Money deposited on or before the 3rd business day of ANY month will draw interest from the first day of that month if left until the end of the quarter

CONVENIENT HOURS
Monday 9 A.M. to 8 P.M. Saturday 9 A.M. to 7 P.M. Other days 9 A.M. to 3 P.M. Holidays Excepted

NORTH RIVER SAVINGS BANK
206-212 W. 34th St.
Just West of Seventh Ave.
Near Pennsylvania Station

Quarterly Dividend
At the rate of four per cent per annum has been declared and payable on or after October 1st

All Deposits
Made On or Before Oct. 4th
WILL DRAW INTEREST FROM Oct. 1st
Open Monday and Friday Evenings Until 7
Write for our Booklet
"Banking by Mail"

CITIZEN SAVINGS BANK
Corral St. & Beaver St., New York, N.Y.

A Well Written Advertisement
To insure really good advertising must must be well written and attractively set up. Let The New York Times staff of thirty expert telephone ad takers assist you in the preparation of your advertisement. Call LA 1-2288 or 100 before noon to avoid the congestion likely to occur later in the day.

THE NEW WAY OF ANNOUNCING A DIVIDEND.

INTEREST PROMISED IN ADVANCE.

The practice of stipulating the rate of interest in advance, while illegal in New York, is permitted in some States; but in many cases in New York the rate has been uniform for so long a time that it is more or less a fixed quantity. There may also be found cases where it is actually promised as far ahead as six months; but be this as it may, the practice is wrong, even if permissible under the law, being contrary to the fundamental principle of savings banking. "There is nothing," says Keyes, "in the theory of savings banking to justify it; on the contrary, everything in their theory and constitution is opposed to it."

A DIFFERENTIAL RATE.

Many banks are in the habit of classifying their depositors into two classes, paying one a lesser rate than the other. The difference is usually one-half of one per cent. Some make three classifications. The theory is that the small depositor will be encouraged thereby, for the higher rate usually applies to deposits *under* \$1,000, although in some instances runs as high as \$2,000. The rule usually is, the higher rate up to a certain sum and the lesser rate on sums above.

The usual result is either withdrawals of the overplus, or a general scheming, by opening joint, trust, or fictitious name accounts, to get the higher rate, which obviously defeats the purpose in view. As Keyes reminds us, if the institution can afford to pay a uniform rate it is much better; for to label a \$500 depositor "poor" and a \$501 depositor a man of "affluence," makes a class distinction—again without a material difference, and often injures those who need and are justly entitled to as high an income as is possible.

PROPHETICAL WARNINGS.

With a foresight quite remarkable, Keyes, in writing his history in 1875, said: "The insecurity attending deposits of considerable amounts, I would provide against by proper safeguards; and having done that, the more free for *all classes*

the access is made to savings banks, the greater will be their prosperity, and the greater will be the benefits they confer upon those in whose special interest they were primarily instituted. But it by no means follows that the trustees should be left to the exercise of an *unlimited* discretion in the matter of dividends. *Whatever policy or practice in regard to dividends, as in regard to anything else, is calculated to impair the perfect security of depositors, or to operate injuriously to the system, or to work an injustice to any individual or class of depositors, should be prohibited.*"

The difficulty arises largely from new banks attempting to meet older banks in interest rates. In fact, it would seem to be a question, not how much can you *afford* to pay, but how much does *your neighbor* pay?

In the past many banks started in to pay high rates and paid over so much of their earnings that no adequate surplus could be established, and therefore quickly succumbed when adversity overtook them. The established bank with a surplus fund earning for the joint benefit of all depositors, together with an assured earning power, can more accurately gauge its income; but new banks must work for a time in the dark; and the more so if the management is not experienced in such matters. The writer has seen the earning sheet of a bank which showed estimated earnings that were *absolutely impossible*,—and upon this erroneous compilation a dividend was declared!

HIGH RATES IN THE PAST.

High rates of interest prevailed quite generally in savings banks up to about 1880, often running as high as six per cent., with frequent extra dividends; but this was possible under the high earning power of money at that time. In fact, the charters of early banks often named the *minimum* rate to be paid, instead of stipulating, as is now commonly the rule, the *maximum* rate. In 1854 a bank was incorporated in Maine with the unique provision that all profits above six per cent. were to go to some charity. It lasted seven years!

As early as 1869 the Maine Legislature recognized the importance of restricting dividends, for while realizing that in *theory* all profits should go to depositors, in *practice* it

is far from wise. They therefore made provision that before declaring dividends, one-fourth of one per cent. of the net earnings should be set aside, as a reserve or surplus, until the same amounted to five per cent. of deposits, to be kept intact to secure depositors against loss. The amount was changed to ten per cent. in 1871. In Massachusetts the act of 1834 provided that the entire income be divided among depositors, making no provision for surplus.

PROVISIONS IN THE STATE LAWS REGARDING DIVIDENDS.

Before proceeding to prepare for a declaration of dividend, let us review briefly the provisions in the State laws regarding this feature, to note particularly the fact that additions to surplus are quite commonly required.

"In Connecticut the net income of any savings bank, in excess of one-eighth of one per centum of its deposits, actually earned during the six months last preceding, and no more, may be semi-annually divided among its depositors. No dividend shall exceed a rate of four per centum per annum, except as provided. (Sec. 3986)

"No savings bank shall make any dividend, except as provided in section 3986, until its surplus shall have accumulated to an amount equal to three per centum of its deposits. Such surplus shall be kept as a contingent fund, but no savings bank shall carry to its contingent fund more than fifteen per centum of its deposits. Such contingent fund shall include all items of excess earnings not included in the interest account, and such portion of the interest account as exceeds the amount necessary to pay the semi-annual dividend. Any surplus in excess of fifteen per centum of the deposits shall be divided among the depositors entitled to such dividends in sums of not less than one per centum of its deposits. (Sec. 3987)

"In declaring dividends the directors of savings banks shall have power to discriminate between deposits of one thousand dollars or less, and those over that sum. Such discrimination shall not exceed one per centum per annum, and if, at any time, a discrimination becomes necessary, it shall be made in favor of those deposits which are less than one thousand dollars." (Sec. 3988)

"In Vermont a savings bank shall, immediately before making each interest payment to savings depositors, reserve from the net profits accumulated since the preceding interest

payment not less than an eighth of one per cent. of the average amount of deposits during such period, as a surplus fund, until such fund amounts to ten per cent. of the amount of deposits and other liabilities, except surplus. The accumulation towards such fund shall be set aside and held intact and, when the fund amounts to such ten per cent., it shall thereafter be maintained and held to meet losses in its business from depreciation in securities or otherwise; and, if at any time it falls below such ten per cent., reservations from net profits shall in like manner be renewed until such fund again reaches the ten per cent. requirement.

“A savings bank may pay interest on deposits, not to exceed one and three-fourths per cent. semi-annually, until half of the ten per cent. fund described in the preceding section shall be accumulated, after which, so long as such accumulation does not fall below half of such ten per cent. fund, the rate may be not to exceed two per cent. semi-annually, until such ten per cent. fund is accumulated. The trustees, so long only as such surplus fund equals or exceeds such ten per cent., may declare and pay such interest on deposits as in their judgment the earnings and resources of the corporation, above such surplus fund, warrant.

“Savings banks shall triennially, if the net profits above the ten per cent. surplus fund amount to one per cent. of the deposits which have remained in such savings banks for one year then next preceding, divide the same among the depositors whose deposits have remained therein for at least one year then next preceding, in proportion to the amount of interest on such deposits which has been declared during the three years next preceding.”

“In Massachusetts the trustees shall, immediately before making each semi-annual dividend, set apart as a guaranty fund from the net profits which have accumulated during the six months last preceding not less than one eighth nor more than one fourth of one per cent. of the whole amount of deposits, until such fund amounts to five per cent. thereof, and no additions shall be made to it when it amounts to five per cent., or more, thereof. Such fund shall thereafter be held to meet contingencies or losses in its business from depreciation of its securities, or otherwise. When such fund amounts to less than five per cent. of the whole amount of deposits, no losses shall be met therefrom except upon written approval of the commissioner.

"Said trustees, subject to the written approval of the commissioner, may transfer from the profit and loss account to the guaranty fund such amounts, and at such times, as they deem for the best interests of the depositors if thereby such guaranty fund is not increased beyond the limit fixed by the preceding section.

"The income of such corporation, after deducting the reasonable expenses incurred in the management thereof, the taxes paid, and the amounts set apart for the guaranty fund, shall be divided among its depositors, or their legal representatives, at times fixed by its by-laws, in the following manner: an ordinary dividend shall be declared every six months from income which has been earned, and which has been collected during the six months next preceding the date of the dividend, except that there may be appropriated from the earnings remaining undivided after declaration of the preceding semi-annual dividend an amount sufficient to declare an ordinary dividend at a rate not in excess thereof; but the total dividends declared during any twelve months shall not exceed the net income of the corporation actually collected during such period, except upon written approval of the commissioner. Dividends may be declared oftener than every six months as provided in section seventeen of chapter one hundred and sixty-seven. Dividends shall be treated as deposits, and if not withdrawn shall be considered, in computing the dividend next following, as having been on deposit for the preceding interest period. Ordinary dividends shall not exceed the rate of five per cent. a year. No ordinary dividend shall be declared or paid except as above provided, nor, except as otherwise provided by section seventeen of chapter one hundred and sixty-seven, upon a deposit of less than three months' standing; but, if the by-laws so provide, ordinary dividends may be declared and paid upon deposits of one, two, four or five months' standing, computed as provided in said section. The corporation may, by its by-laws, provide that a dividend shall not be declared or paid on less than three dollars, or on the fractional part of a dollar.

"If, at the time provided by the by-laws for making ordinary dividends, the net income for the interest period last preceding, over and above the amount to be set apart for the guaranty fund, does not amount to one and one half per cent. of the deposits, if said period is six months, or a proportional percentage thereof, if the period is less than six months, no

dividend of the profits shall be declared or paid, except such as shall be approved in writing by the commissioner.

"Whenever the guaranty fund and undivided net profits together amount to ten and one quarter per cent. of the deposits after an ordinary dividend is declared, an extra dividend of not less than one quarter of one per cent. shall be declared on all amounts which have been on deposit for the six months, or not less than one eighth of one per cent. on all amounts which have been on deposit for the three months, preceding the date of such dividend, and such extra dividend shall be paid on the day on which the ordinary dividend is paid; but in no case shall the payment of an extra dividend as herein provided reduce the guaranty fund and undivided profits together to less than ten per cent. of the deposits."

The New York law relative to dividends is as follows: To determine the amount of gross earnings of a savings bank during any dividend period the following items may be included:

(A) All earnings actually received during such period, less interest accrued and unpaid included in the last previous calculation of earnings;

(B) Interest accrued and unpaid upon debts owing to it secured by collateral, upon which there has been no default for more than one year, and upon corporate stocks, bonds, or other interest-bearing obligations owned by it upon which there is no default;

(C) The sums added to the cost of securities purchased for less than par as a result of amortization.

(D) Any profits actually received during such period from the sale of securities, real estate or other property owned by it.

To determine the amount of its net earnings for such dividend period the following items shall be deducted from gross earnings:

(A) All expenses paid or incurred, both ordinary and extraordinary, in the transaction of its business, the collection of its debts and the management of its affairs, less expenses incurred and interest accrued upon its debts at the last previous calculation of net earnings for dividend purposes;

(B) Interest paid or accrued and unpaid upon debts owing by it;

(C) The amount deducted through amortization from the cost of corporate stocks, bonds or other interest-bearing obligations purchased above par in order to bring them to par at maturity;

(D) Any losses that may have been sustained by it in excess of its guaranty fund and undivided profits.

The balance thus obtained shall constitute the net earnings of such savings banks for such period. (Sec. 254)

If at the close of any dividend period the guaranty fund of any savings bank be less than ten per centum of the amount due to depositors, there shall be deducted from its net earnings for such period and credited to its guaranty fund ten per centum during any year in which a dividend shall be declared, or so much of such percentage as will not compel it to reduce its dividends to depositors below the rate of three and one-half per centum per annum. The amount of net earnings remaining after such deduction for the guaranty fund and its undivided profits shall be available for the declaration of dividends for such period.

While the trustees of a savings bank are paying its expenses or any portion thereof, the amounts to be credited to its guaranty fund shall be computed at the same percentage upon the total dividends credited to its depositors instead of upon its net earnings. (Sec. 255)

The New York law also contains the following regulations and restrictions as to dividends; accumulation of guaranty fund and undivided profits; liability of trustees; extra dividends:

1. Every savings bank shall regulate the rate of dividend not to exceed five per centum per annum upon the deposits therewith, in such manner that depositors shall receive as nearly as may be all the earnings of the savings bank after transferring the amount required by section two hundred and fifty-five of this article [above], and such further amounts as its trustees may deem it expedient and for the security of the depositors to transfer, to the guaranty fund, which to the amount of ten per centum of the amount due its depositors the trustees may also deduct from its net earnings, and carry as undivided profits for the purpose of maintaining its rate of dividends, such additional sums as they may deem wise.

2. Every savings bank may classify its depositors according to the character, amount or duration of their dealings with the savings bank, and may regulate the dividends in such

manner that each depositor shall receive the same ratable portion of dividends as all others of his class.

3. Contributions to the expense fund and unimpaired contributions to the initial guaranty fund made by the incorporators or trustees of such savings bank, shall be entitled to have dividends apportioned thereon, which may be credited and paid to such incorporators or trustees or to their personal representatives or assigns. Whenever the guaranty fund of any such savings bank is sufficiently large to permit the return of such contributions, the contributors may receive dividends thereon not theretofore credited or paid at the same rate paid to depositors.

4. A savings bank shall not:

(A) Declare, credit or pay any dividend on any deposit except as authorized by a vote of a majority of the board of trustees duly entered upon their minutes, whereon shall be recorded the ayes and nays upon each vote.

(B) Pay any dividend other than the regular quarterly or semi-annual dividend, or the extra dividend prescribed in subdivision six of this section.

(C) Declare, credit or pay dividends on any deposit for a longer period than the same has been deposited; provided, however, that deposits made not later than the tenth business day of the month commencing any quarterly or semi-annual dividend period or the third business day of any month, or withdrawn upon one of the last three business days of the month ending any quarterly or semi-annual dividend period, may have dividends declared upon them for the whole of the period or month when they were so deposited or withdrawn; and provided further that, if the by-laws so provide, accounts closed between dividend periods may be credited with dividends at the rate of the last dividend, computing from the last dividend period to the date when closed.

THE DIVIDEND THE BIG EVENT OF THE YEAR.

Coming as it does, with the regularity of Fourth of July and Christmas, the dividend work is one of two of the bookkeeping events of the savings bank year, the trial balance being the other. It probably entails more labor than the trial balance, which also comes with the same regularity although usually a month or two earlier. The latter is now a mechanical process largely, and resolves itself into press-

ing the right keys and pulling a handle. The drudgery that attended this work when adding had to be done mentally has been eliminated, and better posting and proving methods have made long hunts through six months' work to find errors no longer necessary. There are a great many interest tables on the market, each having its points of merit; but it is questionable if the tables are as rapid as mental calculation after the necessary skill has been acquired by practice. The savings bank man should first learn how to figure interest quickly and accurately "in his head," and use the tables only after becoming proficient in this line. The new clerk should never be allowed an interest table until he can do it with ease and despatch without, leaving it to the table to save time, when time is valuable. For instance, we have to find interest on \$796 for six months at three and one-half per cent. We have learned by experience that the interest on this amount is about \$13.93; it will probably be quicker for many to find it in a table, such as Adams' of the Suffolk Savings Bank, Boston, than to figure it out by even so short a process as subtracting the interest on four dollars—seven cents—from fourteen dollars (interest on \$800) which leaves \$13.93—the correct amount.

The interest work must necessarily be crowded into a few days at best, since all drafts affect the interest (provided they do not come out of a non-interest-bearing deposit), and banks having five hundred drafts a day will find it no small task to keep changes up to date and correctly made. And it must be done accurately, for many depositors are able to make the computations for themselves, and accuracy is desirable for its own sake. Some banks even go so far as to prove to an eighth of a cent, as will be seen in the form and explanation of the Union Dime Savings Bank, New York, herewith.

ESTIMATING THE BANK'S EARNINGS.

But before proceeding to figure a dividend, or to distribute the amounts that draw interest, let us look into the board room and secretary's office and review the preliminary work.

In theory, as has been said, the savings bank is supposed to pay over all its earnings to depositors; in practice, it never does, and what is more, should not. Good banking

demands that there shall be a surplus fund established to take care of the shrinkage in bond values and other losses that accrue to any financial concern.

The expenses must, of course, first be taken out, and before any dividend can be *declared*, we must first ascertain how much the bank has earned, and how much (approximately) the dividend will be.

Note the term *earned*. Dividends should not be paid out of surplus (past earnings) but current earnings; and *receipts* do not necessarily mean *earnings*; nor do all *earnings* appear in the receipts, however much the legislatures may stipulate that only *actual* receipts shall be used. And in these earnings we have *accrued interest*. No less authority than the Court of Appeals of New York has ruled (Bank for Savings vs. Miller, New York Savings Bank Cases, page 3) that interest accrued is an asset, and also an *earning*. The problem, then, is to determine as accurately as can be done a month before the period closes just how much the bank has earned for its depositors, leaving it to the proper officers to see that it is *collected*. The income on mortgages, bonds, real estate, etc., can be figured with considerable degree of accuracy; the only item that need be *estimated* in the earnings is the interest on daily balances for the last month; while taxes and other liabilities of the same nature (franchise tax, etc.) may be apportioned over the year by monthly distributions.

THE COST OF MONEY.

Experience teaches that a dividend at four per cent. will not figure out at four per cent., and the "cost of money" to the bank is considerably less. By taking the last four or five years as a guide and dividing the principal into the interest, the rate can be ascertained with enough accuracy to answer the purpose.* Thus in some New York banks the rate is as high as 3.88 on a four per cent. dividend, while in others it runs as low as 3.60, depending upon the nature of the business. A large line of inactive accounts will figure much higher than a line of active, since there is little loss of interest in the former, and much in the latter. In estimating his dividend on total deposits of \$25,000,000, a sav-

*The average amount on deposit during the period should be divided into the interest paid and credited during the period in order to get the rate with accuracy.

ings bank man in New York came within four hundred dollars of the correct amount.

In making up our earning sheet, it will not do to turn to income account, and finding a credit balance of, say, \$10,000, assume that this amount, together with the *unpaid interest past due*, and *interest accrued* represents the total interest for the period. In this account there will be found amounts that represent earnings for the previous period, as, for instance, interest on bonds due July 1—all *earned prior to that date*, but paid on July 2, and therefore do not belong in the computations *at all*. These receipts will, of course, appear in the assets as cash on hand or in bank or otherwise invested, but should not be confused with the true earnings of the period under review. More than one bank man has been deceiving himself as to his earning power by getting the same item in twice, once as collected and again as accrued. Interest cannot be *paid, due and accrued* at the same time. Interest *due* should be *collected*, that which is accrued cannot be collected until due.

THE SCHEDULE OF EARNINGS.

For the purpose of ascertaining the earning power of the bank at any given time, all banks should keep a list or book of investments, classified as to the rate of interest thereon; thus in Item No. 1, in the illustration on page 357, the mortgages are divided into groups at six, five and four per cent. Care must be taken not to include *for the full time* those loans that are made during the period, and which do not earn for the full period. The same is true of bonds. (Item No. 2.) These are also grouped, and interest figured at *gross* income, leaving the amortization process to adjust the amount to be reserved for premium account. Another way of arriving at the same figures, and useful where the mortgage interest is due, say, as of June 1 and December 1, is to ascertain the amount received during the period from income account, *deducting* that which was earned in a previous period, and *adding* that which is still unpaid and accrued. The overlapping of one month into a previous period makes this a more complicated process, and the better way is to determine the amount each investment or group of investments at a uniform rate has *earned* during the period, irrespective of payments made.

THE BLANK SAVINGS BANK.

Schedule of Earnings and Expenses for Six Months Ending Dec. 31, 1927
 (As made for Board meeting December 5.)

Earnings.	ITEM No. 1.	
\$300,000 Mortgages at 6%.....	6 months	\$9,000.00
200,000 Mortgages at 5%.....	6 months	5,000.00
200,000 Mortgages at 4%.....	6 months	4,000.00
20,000 Mortgages at 6%.....	5 months	500.00
30,000 Mortgages at 6%.....	4 months	600.00
50,000 Mortgages at 6%.....	2 months 15 days	625.00
ITEM No. 2.		
\$400,000 Bonds at 5 %.....	6 months	\$10,000.00
600,000 Bonds at 4 %.....	6 months	12,000.00
200,000 Bonds at 3½%.....	6 months	3,500.00
30,000 Bonds at 4 %.....	3 months 15 days	350.00
50,000 Bonds at 4 %.....	2 months	333.33
<hr/>		
\$2,080,000		
ITEM No. 3—Income from daily balances (as per income acct.)....		\$3,899.23
ITEM No. 4—December daily balances (estimated) \$120,000 at 3%..		300.00
ITEM No. 5—Add other items of income (interest on mortgages paid off during the period and on bonds sold, as per income account, but <i>not including any interest listed above as accrued</i>)		756.00
ITEM No. 6—Other earnings, such as rents, received and accrued from rent account		1,200.00
<hr/>		
Total earnings from all sources		\$52,063.56
Charges against income—		
Expenses:		
Salaries for six months		\$5,200.00
Other expenses (5 months)		3,800.00
Reserve for taxes, etc.		1,000.00
December expenses, unpaid bills		300.00
		<hr/>
		\$10,300.00
Amortization for six months (explained in text)		356.89
		<hr/>
		\$10,656.89
Applicable for dividend		41,406.67
Dividend on \$2,100,000 at 3.60 (see text)		37,800.00
<hr/>		
Excess of income		\$3,606.67

Items 3 and 4 (interest on balances in other banks) can be obtained from income account, and the estimated interest for the current month added. Item 5 (interest on mortgages paid at odd times, bonds sold, etc.) must also be obtained from income account. This includes interest received on mortgages satisfied and bonds sold or matured; but as above pointed out, that which belongs to another period should be eliminated. Item 6 (rents received and due) explains itself.

Against the total earnings, we have as charges, first, the expenses, paid and to be paid; second, the half-year's proportion of taxes, State and local. These must be partially estimated. Third, the amortization of the bond premiums, which is in substance the amount chargeable against current earnings, so that the premium on the bonds will be replaced during the life of the issue. The process of determining how much this shall be for each group of bonds is treated elsewhere; but this is an important matter, and should have careful attention. If all earnings are considered *net* earnings, we shall deceive ourselves as to the true income of the bank, and declare dividends out of principal, which should be carefully guarded against in any concern. Banks are now giving more attention than in the past to the proper determination of the true amount to set aside for amortization purposes.

The earning schedule of the New York Banking Department report, is intended to show the true earning power of the bank for the year under review, and embodies essentially the same ideas as above set forth; the only difference being that the dividend is known to a certainty when this is made up. Accrued interest, however, plays a most important part in this sheet. But when the New York report is complete (and it takes no cognizance of the bank's bookkeeping system, since it calls for certain facts that must be stated irrespective of how those facts are obtained) it is like a fine piece of machinery which locks and interlocks, one schedule into the other, and all into the main sheet, where the present status of the bank is revealed. Having ascertained what the bank has earned, what it has cost to operate it, and what the bank will be called upon to add to its deposit liabilities if it declares a certain rate, the matter is presented to the board of trustees, the question discussed pro and con, an agreement reached and

a vote taken (in New York and many other States it must be by call of the roll) after which it becomes a liability of the bank. The next thing in order is to figure interest for each individual account, total it, post to the ledgers, pay it at the proper time, or enter on the books as presented, according to the direction of the depositor.

EXTRA HELP OFTEN NECESSARY.

Having taken a vote upon the question of dividend and decided that the bank will pay a stipulated rate of interest "upon all sums entitled thereto according to the rules and regulations of the institution," the trustees hand over to the accounting force the problem of determining how

TRIAL BALANCE AND INTEREST ABSTRACT

NO.	TRIAL BALANCE	INT BALANCE	6	5	4	3	2	1	INTEREST
10250	25107	225	200			25			425
51	1020	10	10						20
53	100	70	50			40			140
54	3050	20	10			10			30
55	105010	1050	1050						2100
56	50	40	20			20			60
57	300	250	200			50			450
59	9075	90	70						150
60	800	700	600			100			1390
61	100192	1080	1080			245			2160
		3553	3310						6365

TRIAL BALANCE AND INTEREST SHEET COMBINED.

much of the dividend each depositor is entitled to according to this mandate. In a brief period, not usually exceeding three weeks, each account must be analyzed and separated into its component parts; the interest computed upon each part; the separate items aggregated, proven, posted, entered upon depositors' books as presented (usually after a stated time subsequent to the closing of the period, as, for instance, the third Monday in January and July), and the balances extended. In many banks a trial balance is also taken.

In many if not most of the banks, the exact amount of the dividend is known on the last day of the semi-annual period, when the books are closed. The postings may be made later, but it is quite necessary that the amount be known in order to make the proper reports and keep the

controlling accounts in perfect balance. It is plainly to be seen that if this work is done by the regular force, it means considerable work overtime, and some banks employ extra men for a few weeks during this process.

Any good bookkeeper can figure interest, especially at four per cent., and it does not require expert help; but the distribution is more complicated and requires experience, both with the theory and with the books themselves. Where extra help is employed, the distributing is generally done by the bookkeepers, leaving it to the extra men to make computations and help in posting. In fact, some banks have sort of an auxiliary force upon which they depend, these men dropping whatever positions they may have at the time and taking the savings bank work on account of the remuneration that is offered. One bank in New York will not allow night work, and arranges accordingly in the employment of extra clerks at interest time. On the other hand, the author knows of a young man in a savings bank who is able to distribute five thousand accounts, compute the interest at three and one-half per cent., post, and prove the postings, without help of any kind in a period of three weeks, and not work later than five o'clock, and still keep up with his routine work.

Knowing the rate, we proceed to distribute the dividend to depositors according as they have become entitled to it; not a difficult, but a lengthy process. (The distribution of items as to *time* may be done in advance of the work of computation, changes being made as withdrawals are made.)

INTEREST RULES.

There are two general rules in force as to interest periods: First, the quarterly method, by which deposits begin to draw interest from the first of each quarter, after allowing the days of grace. Thus deposits made between July 11 and October 3 will draw from October 1; those made between October 4 and January 10, from January 1.† Second, the first-of-each-month method, whereby deposits begin to draw interest from the first of each month, although credited and paid as in the quarterly plan.* Thus, in the

*The term "quarterly method" is sometimes used to indicate that interest is paid four times a year.

†Allowing only the *first ten* and *first three* days respectively.

TRIAL BALANCE AND INTEREST ABSTRACT

$3\frac{1}{2}$ percent

Interest from the first of each month										
NO	TRIAL BALANCE	INT BALANCE	6/4	5/4	4/4	3/4	2/4	1/4	INTEREST	
8027			1500	1000	100	120	100	100	100	21 87

First Method—Common denominator method

First Method—Common denominator method Interest at 3 per cent. a year is equal to $\frac{1}{4}$ of one per cent. a month. Having the amount of interest at 3 per cent., at $3\frac{1}{2}$ per cent. it will be 1-6 more.

Rule: Point off two places; multiply each amount by the numerator as indicated by the number of months for which the amount draws interest; add these amounts and divide by the denominator, and the result will be the interest at 3 per cent. Add 1-6 and the result is the interest at 3% per cent

Applying the above rule in the example above, we get:

6 x 10.00...	.60.00
5 x 1.00...	.50.
4 x 1.00...	.40.
3 x 1.00...	.30.
2 x 1.00...	.20.
1 x 1.00...	.10.
	<u>4175.00</u>
	<u>add 1-6,</u>
	<u>3.12</u>
	<u>\$21.87 Interest</u>

Second Method—Each month figured separately.

Rule: Point off two places; multiply the amount by the fraction at the top of column, which gives the interest at 3 per cent; add 1-6, and the result is the interest for the given time on that amount. Assemble the various months and carry to the interest column.

Applying the above rule in the example given, we get:

6-4 x 10.00.....	15.00	
Add 1-6.....	2.50	\$17.50
5-4 x 1.00.....	1.25	
Add 1-6.....	.21	1.46
4-4 x 1.00.....	1.00	
Add 1-6.....	.16	1.16
3-4 x 1.00.....	.75	
Add 1-6.....	.13	.88
2-4 x 1.00.....	.50	
Add 1-6.....	.08	.58
1-4 x 1.00.....	.25	
Add 1-6.....	.04	.29
		\$21.87 Interest

SHORT METHODS OF COMPUTING INTEREST.

monthly process, deposits made between July 11 and August 3 draw from August 1.

MONTHLY VS. QUARTERLY.

It is easily to be seen that part of the profits of savings bank operation comes from the factor of money in the bank for which no return is made to the depositor in the form of interest. If these banks paid interest for the full time the funds are on deposit the earnings would be much less than generally obtains. In order to attract funds, these institutions have, from time immemorial, allowed certain days of grace. These do not, as a rule, exceed the first ten business

days of a semi-annual or a quarter period. This gives the bank a chance to handle the usual periodical rush of deposits and works to the advantage of the depositors in having late deposits date back to the first of the period. Where the interest begins at the quarter days, it is obvious that certain deposits will lie dormant in the bank for a considerable period of time. Thus, where the January grace period expires on the 13th, all deposits made between January 14th and April 1st, will cost the bank nothing in interest.

This rule was general for a long period of time. In order to be more liberal with the customers, many banks allowed interest from the first of the month following the date of deposit, if made after the grace period in each month, usually the first three business days. There cannot be much to be said in favor of the quarterly method, except that it profits the bank. There is much to be said in favor of the monthly method—as seen from the depositor's side, since he gets the benefit of a prompt investment of his money. It also stimulates steady deposits as against spasmodic accretions.

Under the quarterly rule, deposits are held back, and other opportunities being afforded to spend or invest the funds, the chances are against the savings bank getting the money. It is not only good business to offer this as an inducement to save, but it is equitable to the depositor to give him the benefit of an early investment, and a delay of from one to ten weeks before money goes on interest is most advantageous to the bank. It tends to make the business uniformly active rather than crowd it into brief quarterly periods. The average savings bank depositor is looking for interest, and the bank that offers liberal yet safe interest inducements will find in it a strong advertising medium. A three and one-half per cent. rate from monthly periods is a stronger inducement to save than four per cent. quarterly—its appeal is to the regular, systematic saver.

The disadvantages of the monthly plan are, first, the cost. It is readily to be seen that the less time money is idle* the greater the cost to the bank; and it is obvious that with the maximum time of idleness but twenty-seven days in the monthly, as against two months and twenty† days in the quarterly, the odds are clearly on the side of the quar-

*Idle in the sense that it is not drawing interest *for the depositor*. In other words, the sooner interest begins, the less the profit to the bank.

†Deposits made in early April and October would be idle still longer.

terly method, as viewed from inside the counter, and clearly in favor of the monthly, when viewed from the outside. One bank reports that in changing from the quarterly to the monthly plan it found the cost to increase from 3.35 to 3.36, on a three and one-half per cent. basis, while in another it increased from .0333 to .0339.

Some banks hold that the increased labor of bookkeeping is not offset by the gain in deposits, considering the extra cost of the money as well. Others that it emanates from a spirit of competition, and the bank needs all the surplus the small margin of profit *any* method affords. And again:

INTEREST.

No.	BALANCE	AMOUNT	AMOUNT	AMOUNT	INTEREST	INTEREST			
		6 MOS.	3 MOS.	TO SPARE	6 MOS.	3 MOS.	TOTAL INT.	TOTAL	
150000	105250	1052			2044		2104	107354	
1	810	600	200	10	12	2	14	824	
2	1019	5	5		10	.45	10	1034	
4	75	75			150		150	7650	
5	51375	513			1026		1026	52401	
7	9010	50	30	10	1	30	130	9140	
9	20	10			10	20	20	2030	
10	150162	100	25	25	2	25	225	15287	
	272216	2405	260	55	4810	260	5470	277486	

INTEREST SHEET SELF-PROVING.

The above form is as complete as an interest sheet can well be. It proves everything, including the distribution for interest (but not necessarily, however, that an item shall be listed at "3 mos." when it should be "to spare"). As will be seen, the total of the "6 mos." and "3 mos." columns equals "total interest," and the "balance" plus "total interest" must equal the "Total," thus proving the extensions. The sheet contains seventy-eight lines, and the bank which uses this form calls in extra help during interest time. The amounts are distributed by the bookkeepers, and the extra men are required to figure and prove the interest and extensions. Four sheets an hour is expected of each man, not a difficult task when the work becomes familiar.

A depositor will hesitate to draw his money if he knows he will lose three months' interest, no matter how he may scheme to avoid the loss.

The monthly plan attracts large sums of temporary deposits that come in for a few months and are withdrawn as soon as the period closes. Such deposits are usually unprofitable—it is the lapse of interest that makes for gain to the bank. A large bank that operated the monthly method for many years and then abandoned it, found that it not only increased the dividend, but required an extra man four and one-half days of eight hours to compute the interest on each million of deposits.

A large savings bank in New York says: "We follow the quarterly method because we started that way. It would cost about one-tenth more to pay from monthly periods. I note that the old depositors, who are really the best friends of the bank, are not the ones to suffer by the quarterly computation, and only the 'small fry' would benefit, and these cost more than they are worth as they are. It astonished us to discover that each transaction over the counter cost the bank three cents in stationery and time on all accounts of less than fifty dollars and are a dead loss to the bank. The cost need not be reckoned, but the extra labor takes about four times as long."

Another: "We do not think it advisable for savings banks to be so anxious to obtain business as to give the depositors all the profit there is in taking care of their money. We think it quite liberal to make interest payable quarterly and give twenty days' grace. We cannot see anything to be gained through the monthly idea and think it unwise."

A bank in Albany, N. Y., says: "The custom of allowing interest from monthly periods arose in this city from a spirit of competition."

During the past five years (1922-1927) there has been a decided tendency to be more liberal with the depositors than theretofore obtained. Many banks have not only increased their dividend rates to $4\frac{1}{2}$ per cent. but liberalized their rules as to the time element. Many have gone on the monthly basis, and one large bank in New York now pays for a calendar month. Another dates the interest from day of deposit. There has also been a decided tendency to declare quarterly interest instead of semi-annual. All of which innovations work to the advantage of the depositor.

DAYS OF GRACE.

Savings banks quite generally allow days of grace at the beginning of the interest periods. These must be carefully kept in mind in making calculations, whatever the method used. In order to guard against errors in dates, and to make the distribution easier, one large bank changes the color of the ink on its ledger cards every three months; thus all entries between July 11 and October 3 will be in purple; October 4 to January 10, green, so that a purple entry means three months' interest. There are two good reasons

Trial Balance. 19 *INTEREST* 1st. 19

LEDGER No.
DIVIDEND AND BALANCE SHEET

No of Account	Amt 6 Mos	Amt 3 Mos	No Interest	Total of Interest	Total Deposit	

TRIAL BALANCE AND INTEREST ABSTRACT

HOME SAVINGS BANK

EAST BROOKLYN SAVINGS BANK.

DIVIDEND

FORMS FOR TRIAL BALANCE AND INTEREST SHEETS.

for this leniency; first, to allow depositors time to arrange their affairs and take advantage of the beginning of a period; and, second, to avoid the crowds that would be impossible to handle if the work was crowded into one or two days.

In New York, where ten days (legally the first ten *business* days beginning a quarterly or semi-annual period, and three *business* days beginning any other month) are allowed, the crowds on the last days often look and act like a real bank run. In one instance the line was over two blocks long when the doors were closed at three o'clock.

The provision for days of grace is not found in all the State laws, but is quite common, nevertheless. The New York law not only allows days of grace at the *beginning* of a period, but also at the *end* of a quarterly or semi-annual period, the banks being permitted to pay interest for the full time if the deposit remains up to within three days of the closing of the period. Minnesota allows the same, except the time is extended to five days at the beginning of any month. Vermont allows ten days at semi-annual periods and five days in other months, but says nothing about days of grace at the end of a period. New Jersey allows three days at the beginning of every month and ten days semi-annually. Massachusetts, but three days quarterly.

The splitting up of an account into its component parts for interest purposes is largely a matter of dates, giving attention also to the reduction of a deposit by a subsequent draft. Computations are made either in the ledger account or in ruled sheets, as treated below. It is obvious that to figure correctly either way, the distribution must be made, the difference being largely in the fact that in one case it is set down as a permanent record, while in the other it is not. Where the items are listed on sheets, the trial balance quite generally forms the basis for this work, and is taken on the same sheet.

But before discussing the technical side of interest calculations, let us go over the groundwork that precedes the actual computation of interest, *i. e.*, the distribution of the deposit balances for the time which they draw interest. As a general statement, there are two ways in which the interest is computed in savings banks; first, directly on the ledgers or cards, being posted at the time, generally in pencil, somewhere on the account, but not necessarily in its

permanent place. After the work has been checked by another clerk, it is posted in ink, quite generally red. After interest is all computed, it is listed on the adding machine and again checked back. The second method is to distribute the account in another book, forms of which are herewith given, and the interest is figured on these distribution sheets, and *proven to be correct*, so that going over the second time is unnecessary. The only work that needs verification is the distribution, to see that an item is properly listed for the time which, according to the rules, it draws interest. Where interest is paid from the first of each month, as elsewhere noted, it is a more complicated process, and to properly distribute the items requires more time and labor than to figure the interest.

DISTRIBUTING AN ACCOUNT FOR INTEREST.

The savings bank employee who would become proficient in figuring interest must first learn to distribute the items rapidly and correctly. This is a matter of practice, and once the knack is acquired it becomes almost a matter of intuition. A few suggestions will, however, be timely. In the first place the balance ledger fulfills its mission most admirably in connection with this work. As desirable as it is to have the balance always extended for the sake of comparison and in taking trial balances, its value in distribution for interest calculations would make it worthy of a place in every bank. In fact, after having used the old style ledger with debit and credit sides and balances jotted down somewhere in pencil, and then adopting the balance ledger, one wonders how he ever managed to get along without this most efficient system.

The usual rule and equitable is that the last draft shall come out of the last deposit. In Massachusetts this is compulsory. To take the last draft out of the first deposit, or the first for the period, as a few banks do, is hardly just to the depositor and entails a vast amount of extra work in distributing. A general rule, applicable whether the bank pays interest from the first of each month or from the first of each quarter is as follows:

Find the lowest balance. If it is less than the balance at the beginning of the period, it draws for the period. From this point work up to the close of the period (last day for which interest is paid).

	DATE	DEPOSITS	DRAFTS	BALANCE		DATE	DEPOSITS	DRAFTS	BALANCE
	July 1	270.75		270.75		Oct 17			286 -
	7		15	265.75		" 17		6	280
	13		15	240.75		" 28		20	260
	18	10		245.75		Dec 5	10		270
	23	10.25		246.00		5	10.50		280.50
	28	10		282		12	14.50		295
	30					19	10		305
	Aug 1			262		Jan 1		43.4	
	3			263					Four per cent. interest from quarterly periods, January, April, July, October.
	6			242					Abstract from an active savings bank account for six months, showing the application of the following rule in the distribution for interest:
	8			238.00					"Find the lowest balance. If it is less than the balance at the beginning of the period, that is the amount for six months. Fix the work up to the last day for interest, which amount draws for three months?"
	Sept 29	16.95		238.95					
	3	11.20		250.15					
	9		1.5	248.65					
	12		1.0	247.65					
	15		5	240.15					
	17		5	215.15					
	19		5	210.15					
	24	6		214.65					
	Oct 27	10		224.65					
	8	20		245.15					
	24	12.35		263.50					The balance on this account July 1st was \$270.75. Lowest balance September 13th -\$210.15, which amount draws for six months. October 3rd last day for interest, therefore deposits of \$6 and \$10 September 26 and 27, draw for three months. Multiply the first amount by 2 and the second by 1 and the result is the correct interest --\$4.36
	3	10		273.50					
	5	12.75		284.25					
	7	20.75		304.75					
	14		15	299.75					
	17		4	295.75					
	Dec 1	284							

LEDGER ACCOUNT SHOWING THE EASE WITH WHICH AN APPARENTLY COMPLICATED ACCOUNT MAY BE DISTRIBUTED AS OF JANUARY 1.

It is obvious that if a depositor has less in the bank to-day than he had six months ago, he must have withdrawn all the deposits made in the interim, and part of the balance at the beginning of the period, and present balance remained undisturbed for the full time.

On an active account that draws from the first of each month, the distribution takes a little longer; for having found the balance that remained undisturbed for the full time, the net amount that is entitled to five, four, three, two, and one month's interest respectively, must also be found.

INT. BALANCE	6	5	4	3	2	1	INTEREST
280	100	.25	35	35	35	..	3.03

INTEREST SHEET SHOWING DISTRIBUTION OF AMOUNTS PREPARATORY TO FIGURING INTEREST.

Referring to the form below, which is reproduced in type for the sake of ready reference in this connection, it will be found that by running over the balances no amount less than \$100 is found, indicating that the first \$100 remained undisturbed for the full time. To distribute this for monthly periods, allowing up to the *third of each month*, we have the following figures: January deposits, \$40 less \$15—\$25 for five months; February deposits (including March 3), \$60, less March 15 draft, \$25—\$35 for four months; March 18, \$10, and April 3, \$25, draw for three months—\$35:

DATE	DEPOSITS	DRAFTS	BALANCE
Jan. 1	100	..	..
Jan. 6	10	..	110
Jan. 9	20	..	130
Jan. 25	10	..	140
Jan. 31	..	15	125
Feb. 15	25	..	150
Feb. 26	15	..	165
Mch. 3	20	..	185
Mch. 15	..	25	160
Mch. 18	10	..	170
Apr. 3	25	..	195
Apr. 15	10	..	205
Apr. 29	20	..	225
May 1	15	..	240
May 18	..	10	230
May 29	20	..	250
June 10	25	..	275
June 18	..	45	230

SAVINGS ACCOUNT TO ILLUSTRATE THE DISTRIBUTION OF AMOUNTS FOR INTEREST COMPUTATION.

May 18 draft of \$10 comes out of April 15, April 29, May 1 deposits—\$45 less \$10, making \$35 for two months. The \$45 draft on June 18 takes the \$20 of May 29 and \$25 of June 10, therefore nothing for one month. We have therefore the distribution for this account as shown on another page.

The sum of the several amounts equals \$230, the interest balance, proving that we have accounted for all the money in the account.

RULES FOR DISTRIBUTING ACCOUNTS. (Accounts standing six months or longer.)

Rule 1. If no transactions have been made on the account, the whole amount draws interest for six months.

Rule 2. If the present balance is smaller than the balance at the beginning of the interest period (July 10 and January 10, where ten days' grace is allowed) the lesser balance draws interest for six months.

Rule 3. (Quarterly) Find the balance at the close of the days of grace (July 10). If no drafts have been made on the account this amount will draw for six months, and the difference between this amount and the balance at the close of the period (October 3) will draw for three months.

Rule 4. (Active account) Find the lowest balance. This usually draws for six months. If subsequent deposits have been made the difference between this amount and the balance at the close of the period draws for three months. (The days of grace must *always* be kept in mind when distributing, and the change in color of ink referred to in text is a most helpful idea in this respect.)

For *monthly* interest apply Rule 3, as of August 3 and July 10. Thus, if the balance on August 3 is \$510, and the July 10 balance is \$475, it indicates that thirty-five dollars has been the net deposit during July, *subject, however*, to subsequent withdrawals that might eliminate it.

FIGURING THE INTEREST.

To become adept at figuring savings bank interest merely requires an alert mind, concentration and practice. In fact, it becomes possible by choosing a method that will work to that end, to become so familiar with a great number of amounts that draw interest that it becomes merely a matter of memory. Even with an odd rate such as three and one-half per cent. on deposits drawing interest from the first of the month following the deposit, it is possible after years of training to set down instantly the interest on any amount from one dollar and upwards, either for six months or three months, and also to know from memory a large number of interest amounts for the odd months, five, four, two and one.

By making combinations, it is possible to figure the interest on such an amount as \$787 for six months by two mental calculations, thus: Interest on \$800 for six months at three and one-half per cent. (from memory) is fourteen dollars; interest on thirteen dollars for the same time is (also from memory) twenty-two cents. The result is there-

fore \$13.78, within a half cent. And so all sorts of combinations will readily suggest themselves, after doing this work long enough to become somewhat of an expert. We might take an odd amount, like \$1,761, which does not readily divide itself into two known quantities, and make three calculations, thus:

\$1,600 (which we know)	\$28.00
160 (likewise known)	2.80
1 .....	.02

Result	\$30.82

By such processes it becomes possible to figure the interest as distributed as fast as one can write the amounts down. Where interest is paid from the first of the month, the work takes longer on account of the odd months.

In figuring interest at three and one-half per cent. for *quarterly periods*, the quickest method is to apply the four per cent. rule; *i. e.*, four per cent. yearly equals two per cent. for six months and one per cent. for three months. Therefore for interest at three and one-half per cent. for six months, point off two places, multiply by two and deduct one-eighth; for interest at three and one-half per cent. for three months, point off two places, multiply by one and deduct one-eighth. Thus, *required the interest on \$546 for six months:*

$$\begin{array}{r}
 & 5.46 \\
 & \times \quad 2 \\
 \hline
 & 10.92 \\
 \text{less } \frac{1}{8} & \quad 1.37 \\
 \hline
 \end{array}$$

Result \$9.55 as in the next example.

Another method is as follows: Interest at three and one-half per cent. a year is equal to one and three-quarters per cent. for six months; or one, plus one-half, plus one-half of a half. For three months, either take the amount and figure for six months and divide by two, or divide by two and figure for six months.

Required: Interest on \$546 for six months at three and one-half per cent.

Interest on \$546 at 1 per cent. is \$5.46 (1%)
 One-half the above will be one-half per cent. 2.73 (1/2%)
 One-half of one-half, or one-quarter per cent is..... 1.365 (1/4%)

Correct interest \$9.555 (1¾%)

Required: Interest on \$546 for three months at three and one-half per cent.

Divide \$546 by two thus obtaining \$273, and proceed as for six months:

$$\begin{array}{r}
 \$2.73 \\
 1.365 \\
 .683 \\
 \hline
 \$4.778
 \end{array}$$

Use of the above rule will quickly train a man to make most of the calculations mentally: Thus, interest on \$40 is merely $40+20+10=70$.

The trial balance sheet on page 372 is a summary in horizontal form of all the transactions for the half year on about 50 accounts bringing out the balances on the next day following the last day of grace. It proves line by line, taking into account the balance of each account six months earlier, in the previous book.

For example account No. 394, 703:

Balance July 1, 1910, (previous book)	440.74
Deposits for six months ($90 + 70$) ...	160.00
Interest	7.52
<hr/>	
	608.26
Minus drafts ($10 + 90 + 70$)	170.00
<hr/>	
Final balance ($438 + 26$)	438.26

The deposit and draft tickets which are filed numerically are condensed into single sums on the trial balance.

The aggregate proof at the foot on the left hand side proceeds on the same principle after adjusting the fractions of interest. The rate was $3\frac{1}{2}\%$ and this results in fractions which are expressed in eighths, either plus or minus, the latter being encircled. The interest on the first balance (\$6) is 10 or $10\frac{1}{2}$ or $10\frac{4}{8}$ cents. The actual credit is 10 cents, the $\frac{4}{8}$ is placed in the margin as gain to the bank. In the next open account, 394,550, the true interest is $15\frac{6}{8}$ cents, or rather 16 cents minus $\frac{2}{8}$, since the nearest cent is 16. It is written 16 minus $\frac{2}{8}$. At the bottom of the column we have:

Total plus items	38
" minus "	16

Difference 22 or 2 cents 6/8, gain

The aggregate interest is

\$ 644 at 7/8%	5.63 4/8
" 13/4%	<u>253.31 2/8</u>
	258.94 6/8
less above gain	2 6/8

Actual credit 258.92 which agrees with the sum of the column.

We then have the following proof:

Old balances (16,095 + 89.48)	16,184.48
+ deposits (934 + 1020)	<u>1,954.00</u>
	18,138.48
— drafts (1620 + 290 + 486.02)	<u>2,396.02</u>
Principal, excl. dividend (623.46 + 644 + 14475)	15,742.46
Plus Interest—dividend	<u>258.92</u>
Total which should appear	16,001.38
Sum of actual balances	16,001.38

The columns for deposits and drafts are subdivided into three, according to the effect upon the next dividend of interest, 6 months, three months and "no interest," the same subdivisions being observed in the daily work. On January 11th, there is no three months money, and the subdivisions are 6.0. The "0" amounts are: 1st, all cents; 2nd, amounts less than \$5.; 3d, excesses over \$3,000, the legal maximum.*

The use of the interest book in a form similar to that of the Hudson City Savings Institution is practiced everywhere, and in some of the largest banks. As between the two systems, figuring direct on the ledgers or cards and checking by another clerk, or computing on ruled sheets and posting to ledger and checking back, is a matter of choice. There is doubtless merit in both systems. The adding machine comes into play admirably in the former, while in the latter, to list by machine simply for the sake of

*The legal limit when this illustration was prepared.

saving the brainwork of footing the column is a waste of time, since it can be footed quicker without the machine, for this requires listing as well. And yet some men, to avoid the mental strain of adding, would waste their time running the items off on the machine.

In one of the large banks in New York State the interest is figured by one man and posted in lead pencil in a column provided for this purpose. The computations are proven by another man,—all the work being done before the close of the interest period. Immediately after the close of business on the last day, the whole force begins to enter the amounts, indicated in pencil, in ink in the proper places, extending the balances at the same time. As soon as his group is finished the clerk runs off the interest amounts on adding-machine and checks back. A trial balance of the group is then taken, which, of course, must prove with the group account of this ledger. Record is kept of the progress of each group, viz.: "Interest entered," "postings extended," "called back," "balanced." *No extensions are made in the daily postings until the groups are in balance, when the extensions are made to date.*

With over fifty thousand accounts, and a force of about fifteen, this work is accomplished in about three strenuous weeks.

It is obvious that the shorter the period under review the more easily is the interest computed. Thus, where the interest is paid for one month, only one month's work must be reviewed. If the period covers three months it is less of a task than if interest is paid semi-annually. The use of the distribution sheet would hardly be warranted if interest were paid at the end of three months, but would be warranted where the period was the half-year. When it is advisable to have the work checked by another clerk, the one who posts the items in ink can, at the same time, make his calculations as he goes along. The work of transcribing to the sheet would not seem to be necessary where there is only a three month's period to review, while it might be valuable in the longer term. There is, of course, no way of proving the interest computations by groups, if they are not taken off on sheets; but the banks paying four per cent. have such a simple proposition in computing the interest, that it may well be concluded that a careful clerk will do the work accurately without the double check.

CHAPTER XXV

MORTGAGE LOANS AND REALTY VALUES

A mortgage has been termed "a conditional deed," and to "mortgage" real property is to "grant or make over" the same as security for the performance of some condition, usually the payment of money, with the stipulation that the conveyance is to become void upon the performance of the condition. In law, a mortgage is an estate in land created by conveyance coupled with a condition in the mortgage by the performance of which the principal deed is rendered void and the estate therein granted is defeated; or, in other words, a lien upon land or other property as security for the performance of some obligation, to become void on such performance.

It is upon such pledge of security that the greater part of the funds of savings banks is loaned, especially in the case of mutual savings banks. The laws of all States permit such loans, and even encourage them; for while they are a slow asset, they are at the same time, if made with care and conservatism, of the highest order of excellence. According to the 1926 report of the Comptroller of the Currency, the mortgage loans of the mutual savings banks of this country amounted to over four and a half billion dollars. In the State of New York alone such loans aggregate over two billion dollars.

REALTY VALUES THE BASIS OF MORTGAGE LOANS.

In order to make a mortgage loan with safety and conservatism, the only requirements are that the property shall be conservatively valued and carefully watched; for having determined the value, the quality of the loan quickly manifests itself. But this is saying a great deal in a few words. What is the property *worth*? And to determine this is to be a good real estate man, and good real estate men are made and not born. There are so many elements to consider in properly valuing real estate that it soon be-

comes a complex subject and worthy of life study. The idea that anyone who fails in other callings can take up such work and make a success is untrue; for while it is admitted that a great many men have acted as if this were true, they have found to their sorrow that real estate demands as keen a mind as any other profession, and like all other professions, has something to teach even the oldest.

In small places where the economic conditions are not subject to sudden changes, and where property values are

Form 2

 AMERICAN SAVINGS BANK OF BUFFALO NEW YORK	Notice to Examine Property
Buffalo, N.Y., July 1, 19--	
Mr. <u>A. J. Trustee</u>	
Dear Sir:	
Application has been made to the Bank by	
<u>T. B. Brown</u>	
for a loan of \$ <u>5,000.00</u> at <u>5%</u> upon property at	
<u>307-18th</u> Street,	
Description of lot <u>25x100</u> , east side of -- -- --	
<u>South</u> Street, <u>75</u> feet from	
<u>South</u> Street, -- -- --	
Buildings, <u>Brick</u>	
Owner's Valuation—Land, \$ <u>4,000.00</u> ; Building, \$ <u>6,000.00</u>	
Assessor's Valuation—Land, \$ <u>3,600.00</u> ; Buildings \$ <u>5,540.00</u>	
Insurance, \$ <u>600.00</u> ; Rental \$ <u>800.00</u>	
Please report by handing or mailing the annexed slip to the Secretary,	
not later than <u>July 15</u> , 19--	
Respectfully, <u>A. J. Trustee</u> , Secretary	
Mortgage No. <u>892</u>	
AMERICAN SAVINGS BANK OF BUFFALO	
Buffalo, N.Y., July 1, 19--	
I have examined the property No. <u>307-18th</u> Street,	
mentioned in the application of <u>T. B. Brown</u> ,	
for a loan of \$ <u>5,000.00</u> and report that in my judgment the property	
is worth as follows: Land, \$ <u>3,800.00</u> ; buildings \$ <u>5,500.00</u>	
Total, \$ <u>9,300.00</u>	
I am willing to join with the other members of the Loan Committee in	
recommending a loan of \$ <u>5,000.00</u> at <u>5%</u> .	
Respectfully,	
<u>A. J. Trustee</u> , Trustee	
If qualified to recommend a loan on property near the property, if willing to recommend less	
than the amount asked for state in both paragraphs the amount recommended.	

**NOTICE TO APPRAISER TO EXAMINE PROPERTY.
CONTAINS ALSO APPRAISER'S VALUATION.**

relatively stable, it is not a difficult matter to determine the value of realty. In such places sales are infrequent; neighborhoods do not change their character suddenly; transportation facilities are not in a state of constant development, and none of the conditions that surround property in large cities are present to influence values. In valuing farm property it becomes a matter of soil, crops, buildings, location, nearness to markets, etc. But even here, outside influences are at work to enhance or diminish the value of

the property, and farm values are a study in themselves. The coming of a railroad or other large industry will increase values; the closing of a large industry will depress them. Even so small a matter as the advent of a five and ten cent store has been known to change the shopping center of a town of 25,000 inhabitants. In such places it is not difficult to watch the realty market and guide one's self accordingly; but in large cities like New York, realty investments become a fine science, and must be viewed as such.

THE APPRAISER.

One of the fundamental principles of the savings bank is that it shall be a neighborhood affair; that is, each bank shall have its field to cultivate, and it is not only supposed to cultivate the field thoroughly in the way of reaching out for deposits, but at the same time it is supposed to favor local people in the matter of mortgage loans. To this end the trustees are presumed to know values in their neighborhood, and in making loans the bank often falls back upon this knowledge; but in large cities, savings banks lose their neighborly aspect and cover such a wide field that to keep track of values merely by casual observation is impossible. It therefore becomes necessary to employ a man who is a real estate expert, and many banks have such an officer, either an official of the bank or one employed as occasion arises, whose business it is to value property. The law in a great many States requires that mortgage loans shall only be made after the premises have been examined by a committee of trustees, usually three, upon whose valuation and report the loan is made. But in cases where an appraiser is employed, the committee accept his valuation and act accordingly. And when loans aggregating millions are made upon the judgment of one man, his importance at once becomes manifest. This man must not only know how to value property, but must keep track in an orderly way of the changes in ownership, prices paid, leases, rentals, sales in the neighborhood, assessed valuation, etc.

REAL ESTATE HAS NO "MARKET."

Strictly speaking, there is no "market" for real estate, in the sense in which the term market is used in connection

No. of Loan 3797

THE BOWERY SAVINGS BANK.

New York, July 25.

MR. CHARLES S. BROWN,

Please appraise the following described property, viz:

Location 1982 Amsterdam Ave.

Dimensions: Land 50x100. Building 50x50.

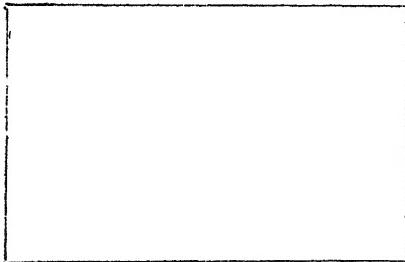
Description of Building Apartment

Am't of Mortgage, \$80000. Held by us

Title insured by J. G. & T. Co.

Bond given by B. J. Blauk

Address of Bondsman 129 E. 139 St.



Appraised Value.

Land, \$60,000

Building, \$90,000

Total, \$150,000

Jeff Brown
Appraiser

Date, July 25.

NOTICE TO APPRAISER TO EXAMINE PROPERTY. CONTAINS APPRAISER'S VALUATIONS.

with stocks and bonds; for only in very large cities is it possible to sell a property quickly. Each property stands by itself as a unit; while the bond or stock is one of a series of like issues and the value of one affects the value of others, and it is readily to be seen that except in rows of "flats" or two-family houses, no two are alike, and even these are generally altered for the sake of pleasing the varied tastes of prospective buyers. Therefore the value of real estate must rest upon two factors: opinion and cap-

italized rentals. The term opinion includes the judgment of the appraiser as to its condition, desirability, adaptability, cost to reproduce, possibilities of increase or decrease in value, etc. The term capitalized rent means what the property will show as an *investment*. Some men are of opinion that the latter should govern to a large extent, while others hold that rental income is but an *indicator* of value and not a sure guide.

In order to express an opinion as to the value of property, the appraiser must have accurate knowledge of past sales, rental values in the neighborhood, cost of construction, etc. Frequently the consideration is nominal, for obvious reasons, and the appraiser must fall back upon other resources than public records for his basis of value. There are many properties in New York where the land value is greater than the value of the building and the land as it stands—meaning to say, the value of the building has passed into the land and it will become profitable to tear down the building in order to have the plot vacant again for building purposes. The modern and well-preserved twelve-story building at Nassau and Wall Streets, New York City, was torn down to make way for the present Bankers Trust Company's building and instances are common in the large cities of this absorption process. Residences on Fifth Avenue, New York, are constantly being demolished in order to build more modern structures. Knowledge of the conditions which bring such changes about is essential in passing upon the value of property subject to such influences.

SALES.

The value of anything which can be reproduced indefinitely can never long exceed the cost of reproduction. Land, however, has a monopoly or scarcity value; it depends upon the supply and demand; the supply cannot be increased and the demand is a changing factor.

In considering the value of a manufactured article, we know for a certainty that it can be reproduced at *some* price, except in the case of old paintings and antiques, which, of course, are limited in their supply; but in valuing land one is confined to an inquiry as to what other people *think* it is worth and what they are willing to pay for it.

Owner F. J. Brown LOAN No. 397.
 Property No. 9 East 10th St. Owner F. J. Brown LOAN No. 397.
 Size of Lot 50 x 100. Size of Lot 50 x 100.
 Date of Application Aug. 1, 1910. Date of Application Aug. 1, 1910.
 Loan Desired \$4000. Loan Desired \$4000.
 Appraisal sent to Dwight Jones. Appraisal sent to Dwight Jones.

APPRAISERS' REPORT.
 Value of Land - - - - - \$2500
 Value of Buildings - - - - - 4500
 Total \$7000. Total \$7000.
 Loan closed. Sept. 10, 1910. Loan closed. Sept. 10, 1910.
 for - - - - - \$3500 for - - - - - \$3500

CHARGES.

Recording Mortgage \$150. Recording Mortgage \$150.
 Appraisal 300. Appraisal 300.
 Drawing Bond and Mortgage 300. Drawing Bond and Mortgage 300.
 Revenue Stamps 50. Revenue Stamps 50.
 Search 50. Search 50.
 Total \$6700. Total \$6700.
 Total Expenses \$560. Total Expenses \$560.

APPRAISERS' REPORT.
 Name of Tenant owner. Name of Tenant owner.
 Length of Lease none. Length of Lease none.
 We have examined above property and certify its value, in our opinion, to be as follows:
 Value of Land - - - - - \$2200
 Value of Buildings - - - - - 4500
 Total \$6700. Total \$6700.
 Dated Sept. 2, 1910. Dated Sept. 2, 1910.
Dwight Jones, Committee. Dwight Jones, Committee.

LOAN NO. 397.
Oneida, County, ss
James B. Brown being duly sworn, says that he is the applicant for a loan of \$4000.00 on property in the City of Utica, known as No. 9 East 10th Street, being a Street from THE SAVINGS BANK OF UTICA, that he is a citizen of the United States, and the owner of said premises in fee simple absolute, that he has never sold his title thereto called in question, that he has not contracted to sell the same, and knows of no person other than deponent who claims or has any interest therein. Deponent further says that there is no judgment against him unpaid or unsatisfied of record docketed in the office of the Oneida County Clerk, or in the United States Courts for the Northern District of New York, that there are no unpaid taxes or assessments now due or levied on said premises, and that there are no encumbrances of any nature recorded or unrecorded, on said premises except

that no proceedings in bankruptcy have been taken by or against deponent, and that deponent is in personal possession of said premises. That the following persons residing on said premises, are tenants of deponent who have leases running as follows:
Dwight Jones, Committee.

Subscribed and sworn to before me this 3 day of Aug. 1910
James B. Brown

opinion is fair or not. A man who is pressed for money and sells under necessity has, no doubt, measured the price of his property by his necessity; on the other hand, if he needs a particular site for a particular purpose, as, for instance, to enlarge his business, he may not only be willing to pay a larger price than would ordinarily be paid, but his very need is taken advantage of by the owner to compel him to pay such a price.

Therefore, to determine the value of land correctly, it is quite necessary to secure an opinion of a large number of people who would in a sense form a *market* for such a parcel; and this can only be done by a public sale, and such sales are the only true indicators in the large cities.

The selling price of property ordinarily reflects the rental value, but this may be altered by the prospect of higher rent as the community builds up and the demand increases. Values do not always depend upon rentals, or rentals upon values; for some high-priced property brings an inadequate return, and some cheap property excessive returns, depending upon the amount of business that can be done in that particular location, irrespective of the condition of the building. A high class building does not rent to the same advantage as a cheap tenement; for while a tenement may bring ten to fifteen per cent. gross, or from six to ten per cent. net, good authority has it that some of the most modern office buildings do not net over five per cent. Vacant land usually has no rental value and is not accepted as mortgage security by mortgage companies in Europe or by conservative companies in this country, farms, of course, excepted.

In many cases, however, the rent is a fair indication of values, for allowing four to five per cent. for running expenses, a building such as a two or three family house must earn enough to give the owner a fair return for his investment, say five per cent., and by such a rule we may capitalize rents in this manner: taking, first, the fair rental income for the property, which can be judged with considerable accuracy by the prevailing rents, we find that one floor will rent for fifteen dollars, another for fourteen dollars, and the third for twelve dollars, or forty-one dollars, making \$492 as the total income from rents per year; on a basis of ten per cent. this would make the property worth

approximately \$5,000, which in a large number of instances would not be an excessive price.

This is not to say, however, that all property does or can earn such a proportion; for in country districts and small cities it is no unusual thing to find property renting for a mere pittance alongside of city values. The land is cheap and carrying charges low and the greater part of the rent is net, and we might well capitalize rents upon a lower basis. A misplaced building will, of course, be a bad renter. The structure must be adapted to the land and to the surrounding conditions; thus if an expensive building is put upon a cheap lot, it will prove disastrous, as also might a cheap building upon an expensive lot; the two must be well balanced, otherwise the investment becomes impaired. Property that is well built carries less repairing charges than that which is flimsily constructed, and the owner of a fireproof and modern building might capitalize it on a five per cent. basis, knowing that this five per cent. would be four-fifths net, while a flimsily constructed tenement, needing constant repair, must necessarily be capitalized higher, if it is to show any returns at all.

THE MARGIN OF SAFETY.

The margin of safety in mortgage loans depends largely upon the needs of the borrower, aided and abetted by the willingness of the lender. Many mortgage loans carry the limit, and in many cases the limit is stretched by overvaluation. In speculative ventures the limit is generally asked for, and some lenders, including savings banks, have seemed to work upon the theory that because the legal limit is, say, sixty per cent., this should be granted in as many cases as possible. On the contrary, in making small loans on homes the opposite is true, since the owner instead of trying to devise ways and means by which he may increase the loan, generally endeavors to keep it at its minimum to save the interest charge. The tendency to mortgage *everything* is forcibly seen in the city, where opportunities are many for using money to such good purpose that it becomes profitable to mortgage one property in order to buy another. Second mortgages usually carry a bonus and high interest rates, and while in some instances are risky, they have been the basis of small fortunes.

Cost.

In arriving at the cost of a building, there is no absolutely accurate method. Some appraisers employ the foot-front rule, while others use the cubic-foot rule. The cost of various classes of buildings has been ascertained with enough accuracy to make the following rules a fair guide in the appraisal of the value:*

Brick tenements, old buildings, 8 to 12 cents per cubic foot; new law tenements, non-fireproof, 15 to 25 cents per cubic foot; high class apartments, fireproof, 25 to 45 cents per cubic foot; store and loft buildings, non-fireproof, 12 cents per cubic foot; new law mercantile buildings, fireproof, 25 to 35 cents per cubic foot; office buildings, fireproof, 35 to 60 cents per cubic foot.

There will be variations, of course, depending upon the character of the work, the decorations, plumbing, trim, etc., but these figures give an approximate value of the building. The cost of maintenance depends upon the character of the building. A two-family dwelling costs but little outside of taxes and insurance, while an office building or elevator apartment has the added expense of elevator service, attendants, heat, light, etc. A poorly built building costs much more to maintain than a well constructed one, since it is constantly running down and in need of repairs. The plumbing goes wrong, ceilings fall, tenement house violations are filed against it, and all these add to the cost of the up-keep.

INCOME.

The income from any property depends upon its desirability and adaptability to the purposes for which it has been constructed. If a loft, there must be taken into consideration light and air, location in respect to the particular trade for which it is intended, nearness to shipping facilities, etc. If an apartment or flat, the class of tenants to be attracted, the neighborhood, nuisances and transportation

*Figures supplied before the war by Mr. John J. Pulley, President, Emigrant Industrial Savings Bank, New York, a recognized authority on Mortgage Loans. NOTE TO LAST EDITION: Owing to the advanced cost of material and labor, these figures are constantly changing, and are here given as suggestive only. They would not hold true at the present time.

facilities. A well built and well arranged apartment will command a better class of tenants and bring higher rents than one that is merely speculative. If light, air and arrangement are satisfactory, and the quality is maintained, the original rent may be steadily adhered to, and where the market is not over crowded, the question of vacancies will not be serious; but as a general proposition, capitalized rents is a fair basis of value, and when proper deductions are made for vacancies this method affords a good test of values,—unless the rents are inflated and fictitious,—as is often the case in speculative buildings.

SAFEGUARDS.

It remains to suggest how the various elements of risk may be guarded against. First of all there should be an ample margin to allow for contingencies, and to this end it is essential that the appraisal be made with good judgment. There is no doubt but that many loans made by savings banks carry "all the traffic will bear" and sometimes more. And especially is this true in cases where the savings bank is commercialized. Errors of judgment there will be as long as men are human and cannot look far into the future; but no changes in realty are so sudden that they may not be guarded against. The New York Times a few years ago contained a news item from Massachusetts, stating that the Bank Commissioner of that State had filed a complaint against five members of the Finance Committee of the Greenfield Savings Bank for alleged violation of the savings bank law of the State, in making excessive loans. In a short time the sum of \$288,000 had been charged off for losses from this cause. One loan of \$153,000 was made on a hotel property that brought only \$35,000 on sale. The bill charged that the committee not only made loans in excess of the legal ratio (sixty per cent.), but in some cases loaned more than *the total value of the property*.

Another danger arises from depreciation in value, due to causes that may be termed economic. Of this character are those resulting from the changes in neighborhoods, aforementioned. Against this there can be but one check, and that is frequent re-valuation and careful watch of the realty movements. These movements are not usually of sudden occurrence and can be guarded against. Changes

in assessed valuation often indicate which way the wind is blowing, and while not a true index of values, often afford a starting point for such work.

In New York it is the policy of the tax bureau to tax full value, and while it may, in certain cases, prove otherwise, yet the aim is to assess each parcel at its fair market value.

REALTY MOVEMENTS.

One point to be watched and carefully guarded against in making mortgage loans is the loss in values through changes in the internal structure of a city. This is due to many causes, such as the building of bridges, abandonment of ferries, changes in transportation lines, the crowding out of residences by business and manufacturing establishments, etc. The first cause is noticeably true in New York and Brooklyn. The building of the Williamsburgh Bridge, which ultimately caused the ferries to be temporarily abandoned, turned the tide of travel over the bridge and left the lower end of Broadway* more or less deserted. The building of the Queensborough Bridge has altered the whole aspect of Long Island City and also the region immediately surrounding the bridge terminal in New York. Such changes either improve or damage the property in the neighborhood, and must be carefully watched. The building of subways also has a marked effect upon property, usually for the better.

There is always going on in large cities a movement of the best stores in the direction of the residential districts. This is due to the fact that storekeepers find it advisable to be as near as possible to their customers; thus the old shopping center of New York at Sixth avenue and Twenty-third street has moved up to Fifth avenue and Thirty-fourth street. Such movements leave sort of a vacuum behind, which is filled up by cheaper stores, wholesale houses, etc. And unless the growth of the city is rapid enough to make wholesale property worth as much as the retail property formerly was, there is quite likely to be a drop in values.†

*Brooklyn.

†The movement of department stores from Sixth Avenue between Fourteenth and Thirty-fourth Streets has left many fine old structures vacant and depressed values enormously.

Property used for wholesale purposes is quite apt to locate between the shopping districts and the terminals and wharves, so as to be able to handle goods cheaply and yet be in a location convenient for customers. Where the transportation is largely by water such business is apt to center around the waterfront, and when the railroad comes in with competition and takes the prestige away from the water route, changes are likely to follow in values of dock properties.

In the case of residence property, social reasons enter in largely to determine values, which are usually high. As the transportation systems are improved, such property moves away from business centers to more quiet neighborhoods. Such property is seriously affected by nuisances of any kind, and such should be carefully watched. Of such a character would be garages, hospitals, armories (making a "dead" block), properties rented to negroes, Italians, etc.

WARNINGS.

One of the first signs of danger in real estate loans is tardy payment of interest and taxes. This indicates that the borrower is in straitened circumstances, or grossly careless, and his mortgage instead of being a help to him has proved a dragweight. There is but one safeguard against this: To insist upon prompt payment of the interest and taxes. *This can be done.*

Another safeguard which is coming to be given serious attention in the making of real estate mortgages is the partial payment or amortization plan. By this method a monthly payment is made which includes both interest and principal, and in the course of time the loan is discharged. The advantage of this method is that the payments are small and can be watched closely and kept up to date; and inasmuch as the principal is constantly being reduced, the margin at the beginning may be increased, making home ownership much easier for the poor man.

THE APPLICATION.

The first step in the making of a mortgage loan is to secure an application from the borrower giving full details concerning the property proposed to be mortgaged to the

bank. These details may be voluminous or barely enough to designate the property. All banks have forms for such purposes and generally require the application to be on their own forms for the purpose of uniformity.

The points generally covered in the application are: The amount required, the street and number, often the distance from the nearest corner, size of lot, size of buildings, character of the latter, and the rental value, for purpose of capitalizing the rents in order to appraise the property upon this basis. Sometimes the number of rooms, improvements, assessed valuation and other details are called for, and quite generally the owner's valuation of the property, usually separating the buildings from the land.

In the matter of farm loans more minute details are required, as will be seen from the following questions found in the application for a farm loan in use by a savings bank in Central New York: How many acres does the farm contain? How many acres are improved? How many acres are unimproved or timber land, and what kind of timber is on? How many acres of waste land? Describe the buildings generally (giving sizes and number of rooms, if possible). Describe the fences and state in what condition of repair. Do you occupy the premises? If you are not the occupant of the property, who is, and by what right does he occupy it and what is the rent? Have all the taxes been paid, and if not, how long have they remained unpaid? Has your title ever been questioned? If so, what was the nature of the defect? What was the last assessed valuation? How much insurance do you carry and in what company? Are you married and if so give the name of your wife. Are there any incumbrances on the property and if so how much and of what character? What improvements have you made and what do you intend to make? What do you consider a fair value of the property per acre? What do you consider the value of the buildings? What figure would you sell at?

In many cases the application blank has provision for a diagram of the location of the property, which often makes the finding of the premises easier. In all cases the banks require the application to be signed by the borrower and in cases where the borrower is not the bondsman, the signature of the latter is required, and in some cases a written guarantee that he is the person in question. It is important

APPLICATION FOR LOAN.

I, the undersigned, P. J. Farmer,
 of Red River, Post Office, St. Paul, County, Minn.
 hereby apply to you to procure for me a loan of \$ 3000 for a term of 5 years, at 6 per cent
 semi-annual interest to be secured by FIRST MORTGAGE on 10 acres of land in Red River,
 Township, County, Minnesota, described as follows, to-wit:
Fruit and wheat farm

and I hereby appoint P. B. Swift as my agent to negotiate said loan, to whom the papers and money may be sent at my risk
 For what purpose is money wanted? To improve buildings
 How many acres are under cultivation? 80 How many acres artificial grove? 20

Of the land not cultivated, how many acres can be? 15
 How many acres pasture land? 10 How many acres waste land? 5 Timber? 5
 What is the general character of the land and soil? Clay

How many acres are fenced? All If not fenced, why not?
 What buildings on land? Houses 30x60 Barns 25x80
5 out buildings

What other improvements, such as orchards, groves, etc.? Apple orchard in bearing
 Are the buildings insured? Yes For what amount and what company? 3500 Farmer Bros
 Will you assign policy for benefit of lender?

What is the value of the land without buildings? 3000
 What is the value of the buildings? \$ 3500 Total, \$ 6500

Are there any mechanic's or lumberman's liens filed on the buildings, or have any person or persons done work on, or furnished material within ninety days past, whereby they would be entitled to file a lien? No

Who is in possession of property? Owner
 How many horses, cattle and hogs has the applicant, and has he a full set of farming implements? yes

14 Horses? 7 Cattle? 20 Hogs?

What encumbrances on this property? None

By whom are they held?

Name of and distance to nearest railroad station? 2 miles

Do you own any other land? No

What encumbrances are on it?

Give wife's name, if applicant is married Bessie
 What is applicant's age? 40 In whose name does title stand? Widow

I will furnish a complete abstract of title to this property from the government to the present time, and I am in peaceful possession of said premises, the title to said land has never to my knowledge been questioned or disputed. I agree to pay for recording the Mortgage to secure the loan and pay cost of completing the abstract of title showing the loan mortgage to be first lien. There are neither unrecorded deeds or mortgages for or upon said premises, nor are there any unpaid taxes, unsatisfied judgments in the State or Federal Courts of Minnesota, nor suits pending in any Courts except as shown on the abstract furnished with this application. Nor am I either personally or financially responsible for any person or persons on said land, and have any necessary corrections in title made before the loan is completed. I have answered the above questions and made the statements for the purpose of procuring said loan, and for no other purpose whatever, and swear that they are true in every particular. If I should refuse to sign papers or accept loan when placed, I hereby agree to pay said agent \$ 100 for his services.

Full name Peter J. Farmer
 Post Office Red River County, ss.
 STATE OF MINNESOTA, St. Paul

Subscribed and sworn to before me this 19 day of July
J. J. August Notary Public

that the one who *presumes* to be the owner *is* the owner, for frauds have been worked upon savings banks and title companies by persons assuming to be the owners of property offered as security, when in reality they were impostors.

Care should at all times be taken to identify the borrower as the person having title to the premises. In large cities much borrowing is done through brokers, and the principal does not appear on the scene until the money is to be handed over. In such cases it is well to know who the broker is and that he is authorized to negotiate a loan on the property.

Frequently applications are made to savings banks for loans simply to get the bank's valuation of the premises; and while as a rule no charge is made for the appraisal, a number of banks are now requiring a modest appraisal fee when the application is made. In some instances no fee is charged unless the loan is made, while in others, no appraisal will be made unless the fee is paid.

It would seem but just that if a committee of trustees make a personal inspection of the property, as is generally required by law, they should be paid for their time. Some banks have a salaried appraiser and make no charges, preferring to have an expert's opinion and pay for it than to depend upon the judgment of a committee of trustees. This is particularly true in the large city banks.

Some applications may be found having provision for the certification of the value of the property by two or more disinterested persons. This is often embarrassing to the borrower and is rarely worth considering, for it is frequently done as a favor and is not a safe guide as to values and should be eliminated. The loan is to be made by the bank, and the only persons interested are the bank and the borrower, and no unnecessary outside parties should be brought into the matter. In all cases the borrower pays the expenses, but in some applications this is agreed upon when the application is signed.

THE APPRAISAL.

The next thing in order, after having application properly filled out, is to have the property appraised. Many banks have appraisal forms and these are turned over to the proper persons, in some banks the fund-

Application No. 3739

Signature and satisfactory references of the proposed bondsman will be required in every application.

No charge to Applicants for loans as commission or otherwise, is made or permitted, directly or indirectly, by any Officer, Trustee or person in the employment of the German Savings Bank, for procuring loans or for services in connection therewith except that the titles are examined, and the requisite papers prepared by Counsel appointed by the institution whose charges to the applicant for the loan are required to be limited and reasonable.

New York July 15

The undersigned desires to procure a
Loan of \$20,000 at 4 1/2 per cent interest per annum, from

The German Savings Bank in the City of New York.

On mortgage, secured by the bond of *A. P. See*.

on the property described as follows.

Location, *82 E. 19th St.*

Distance from the corner of the nearest cross street, *90 ft.*

Dimensions of Ground, *25 x 100*

Dimensions of Building, *25 x 80*

Building Materials, *Brick*

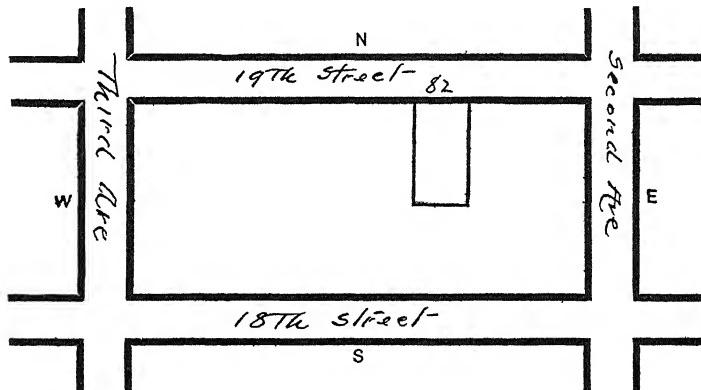
Purposes of use, *Stone and dwelling*

Value of Ground, *\$ 15,000*

Value of Building, *\$ 35,000*

Annual Rent, *\$ 5,000*

Insured for *\$ 30,000*



N.B.—The applicant will please specify the above particulars as far as practicable and in all cases sign the application.

Signature of Bondsman, *A. P. See*

Address of Bondsman, *82 E. 19th St.*

Notify *Bondsman*

Loans are not made on Factories, Iron Works, Breweries, or on Suburban Property. Applications for Loans on Dwelling-Houses, Stores, Offices, on central property well situated and productive will be considered.

Applicants should sign, and present their proposals, in person, when practicable, to secure attention.

ing committee, and in others the appraiser. Where the matter is in the hands of a committee, these men meet at intervals to look over the applications, and after discarding those which they do not care to consider, turn their attention to the likely offerings.

Some banks have a preference for certain kinds of property and rigid rules against loaning on others. Those that seem to be desirable are personally inspected and the value placed thereon, usually in writing, as in the forms shown.

The rate of interest, time the loan is to run and other details are agreed upon between the bank and the borrower (or his agent) at the time application is made, or when the loan is accepted, and nothing further remains to be done, insofar as the bank is concerned, but to pay over the money. The mortgage loans are quite universally reported to the board of trustees and ratified, thus becoming part of the records of the bank. Some banks record the date of this approval on the application—a very good idea.

THE SEARCH.

But inasmuch as it is essential that the borrower shall be in *position* to mortgage this property, and unless he is the true owner and has good title he cannot give a good mortgage, it is necessary to determine that the title is in the borrower and that the title is free from defects; for upon the rule that a man cannot convey by deed that which he does not own, and a mortgage being a conditional deed, the latter will be void if the title is defective.

Some banks require statement that the title is in the borrower and is as claimed to be; and others go so far as to ask for an affidavit to this effect; but inasmuch as no man would buy a defective title if he knew it, and most of the defects are unknown to the owner, his statement is usually favorable, and counts for little.

All such matters devolve upon the attorney, to whom the application is referred after favorable action by the committee. It is his duty to examine the records and satisfy himself that the title is clear and is vested in the borrower. This he presents to the bank in the form of a "search," together with certificate of title. This work is often done in large cities by title companies, who not only certify to the title but guarantee the bank against any loss that may come through a defective one. In some banks

To the Trustees of the Monroe County Savings Bank.

Gentlemen.

I wish to obtain a Loan of your Bank, in the sum of
 Two thousand Dollars,
 on my farm, in the Village of Rochester Falls, County of
 Monroe and State of New York, which was conveyed to me by deed dated
 January 5th, 1903, and recorded in *Monroe County
 Clerk's Office, in the Liber 346 of Deeds, at page 23. Said farm consists of
 104 acres, is occupied by myself
 and is situated on the road (here briefly state location) from Rochester City to
 Rochester Falls, one mile from the latter. Land is of good
 quality, crops varied and abundant, well watered and all under
 cultivation except wood lot of ten acres. Buildings consist
 of house of ten rooms, stone, slate roof, barn 40 x 75 in good
 repair, outbuildings for all farm purposes and all in good con-
 dition. Loan is desired for the purpose of building new barn
 and buying 50 acres adjoining, and not to be covered by this
 mortgage.

Applicant

APPRaisal.

We, the Subscribers, freeholders, residing in Rochester Falls
 County of Monroe, do certify that we are well acquainted with the
 above described property, and that, in our judgment the same is worth in cash at least
 Seven thousand five hundred Dollars, exclusive of
 the buildings thereon, and the said buildings are estimated to be worth at least
 Three thousand Dollars.

Dated at Rochester Falls, the Tenth day of August,

B. B. Farmer
 H. J. Kisson } Appraisers

RULES AND DIRECTIONS.

State the situation of the farm, the number of acres, how much under improvement or cultivation, and how much woodland; also, what buildings are on the property, their condition and value, and whether they are insured, and to what amount. Get at least two written reports from reliable appraisers, and attach copies of same (Land and buildings separate).

All Loans made by the MONROE COUNTY SAVINGS BANK will be made for one year, and interest shall be continued for a greater length of time, the interest must be paid PROMPTLY on the first days of January and July to each year.

No loans will be made on lands on which judgments are existing upon them, and no more than one-half the name as the applicant, unless it is shown that he is not the same person by proof satisfactory to the Bank Attorney.

No loans will be made in any case where the value of the property does not exceed the amount loaned, including the buildings thereon.

In all cases where loans are made, the buildings must be insured, and the Policy of insurance be deposited in this Bank as collateral security.

NOTICE TO APPLICANTS.

The laws of the State require all the expenses of searching, examining and certifying of title, and of drawing, perfecting and recording papers to be paid by the applicant. It is granted that the applicant shall furnish, without delay, his deed and other evidence of title, to the Attorney of the Bank, who will examine and certify the same, and pay the expenses of the attorney for examining the title, and the expenses of recording the title on book of the Bank. As no agents are employed by the Bank, all applications should be made directly to the Bank or its officers.

David Hoyt, Secretary

APPLICATION FOR FARM LOAN, WITH VALUATION.

the attorney simply turns the work over to the company, which allows him a commission, and he therefore assumes no risk, but at the same time, sacrifices the full fee for a commission. The amount of the fee depends upon the bank, the attorney and the borrower.

The charge for making mortgage loans varies with the locality. In and around New York the cost of obtaining mortgage money runs from 3 to 6 per cent. Five per cent. is considered a fair price to obtain such loans. In the country districts, however, the costs are very much less and are composed of the modest fee for making the search and likewise the modest fee for drawing the papers, the cost of recording the mortgage and the mortgage tax. For instance, in some counties in New York State an official search will be made for \$25. Allowing from five to ten dollars for drawing the papers and \$1.50 for recording the mortgage will bring the cost of a mortgage loan in such locality within \$50, plus the mortgage tax. In the bank in which the writer gained his early savings bank training, it was the custom for a number of years to charge the borrower \$10, which included the search and drawing the papers. The recording fee at the time was \$1.50 making the average cost for obtaining a loan \$11.50. There was no mortgage tax and no charge for an appraisal. In another bank in central New York, the attorney was paid a yearly retainer, with the agreement that he would make all the searches for the bank as consideration for the retainer. The bank charged the borrower \$5, and this together with the recording fee and the mortgage tax was the entire cost of the mortgage to the borrower. This, however, is the most equitable arrangement with which the writer has ever come into contact.

Builders who are operating on limited capital and who require building loans are frequently charged about one per cent. more than the usual fee. This covers the additional inspection necessary, and the work which accompanies the payment of the amount in three or four instalments. As a matter of fact the mortgage in the large cities is on an entirely different basis than in country districts. In the former it is considered a part of building costs and all the arrangements are made with this in mind. In country districts and the smaller places the mortgage is not a definite part of real estate operations, at least not to the same extent as in the city districts. And while in the larger places these

Attorney's Title No. 1,089.

APPLICATION
FOR LOAN ON BOND AND MORTGAGE.

\$5,000.
on
20 East 19th Street.
John Goodman.

Presented to the Board of Trustees, on September 5th Referred to a Committee, consisting of Messrs Smith, Jones and Brown

Your committee respectfully report that they have carefully examined the property mentioned in the within application, and certify that, according to their best judgment, its value is \$ 9,000 [Ground \$4,000 Buildings \$5,000] and they recommend a loan of \$5,000 at 5 per cent

A. Smith
Byron Jones
Burt Brown

On motion, the application was granted for \$5,000 at 5 per cent

R. A. Schrieber
Dated, September 5th, 1911
Referred to the Attorney of the Bank for examination of title.

Minute Book, p. 654.

Voucher No. 34,567. \$5,000.

Union Dime Savings Bank
to John Goodman

DATED, September 28th, 1911

MORTGAGE NO 1,089

New York, September 28 1911
Received from the Attorney of the UNION DIME SAVINGS BANK
Five thousand - hundred - dollars.
loan on Bond and Mortgage, in pursuance of the
within application
Signature, *John Goodman*
Address for notices of interest:
20, East 19th Street

D M Mort L
Examined by Auditing Committee
October 1st, 1911

Please read the Regulations, to which your loan, if made, will be subject.

UNION DIME SAVINGS BANK,

NEW YORK

All Mortgages mature either May 1st or November 1st

Interest on all mortgages must be paid punctually on the 1st of May and the 1st of November

Received tax-bills for each year on mortgaged property must be exhibited on or before the first day of May following

Insurance policies to cover our mortgage must be taken out IN COMPANIES DESIGNATED BY THE UNION DIME SAVINGS BANK and written through its authorized agents and must expire either May 1st or November 1st Premiums must be promptly paid Renewals will be attended to by the representatives of the Bank

All letters should be addressed to the Bank, as above, not to its officers

Checks should be payable to the "Union Dime Savings Bank"

In paying money to the Bank always make and sign a written statement of the amount and purpose Give notice of any change of address

Business Hours, 10 to 3 daily

APPLICATION FOR LOAN, CITY PROPERTY. CONTAINS SEVERAL UNIQUE FEATURES.

fees can be, and are charged with every essence of propriety, in the smaller places such charges would be looked upon as oppression to those finding it necessary to borrow in this form.

CLOSING THE LOAN.

When the mortgage loan is closed the papers that should be in possession of the bank are: (1) Mortgage. This must go to the proper office for record—in large cities the Hall of Records; in smaller places, the county clerk's office, and is usually the last paper to come in. (2) The bond, which is the obligation or promise to pay and upon which suit is brought in case of default. (3) The application duly signed both by the borrower and the appraiser or the committee charged with this duty. (4). Search, or title

policy, with certificate of title from the attorney. (5) Insurance policies in amount sufficient to cover the loan, duly made payable to the bank. Some banks require all the insurance so that it may be uniform. The papers are then complete. (Some banks also require a "tax search" to show that all taxes are paid and in some cases a survey).

SURVEY

In the business sections of villages and in all sections of large cities it is necessary to know that the building stands on the premises mortgaged. In other words, that the building does not encroach upon the adjoining property. Under the rule that no one has a right to build a structure on land which he does not own or lease, any building constructed over the line is an encroachment; and the abutting owner could compel the trespasser to remove that part which was on his land. Where the structure stands in the middle of a plot, as a great many private homes do, there is no great danger in this respect; but in the case of business property built solidly in the business section, it is a danger point to be given consideration. A survey of the property called for in the deed or in the mortgage is, therefore, required in a great many loans, particularly those covering business property.

HUDSON CITY SAVINGS INSTITUTION, Hudson, N. Y.

No	567	Mortgagor	Henry Hudson	Rate	5	%				
Address	1456 Main St.	Date of Mortgage	Feb. 1	Amount	\$ 2,400					
Assumed by	--									
Assumed by	--									
Description of Property	Two Story Frame Dwelling									
Mortgage Recorded	2/1/	at	3 P M. in Book	34	Page	23	Sec	5	Block No.	17
Principal Payable	Feb. 1,		Interest Payable	June and Dec.						
Valuation.	Land \$1,800		Building	\$3,000		Total	\$	4,800		
Insurance Required	\$ 2,400		Insurance Held	\$ 3,500						
Mortgage Signed by	Henry Hudson									
Mortgage Paid			Satisfaction							

The survey will show the exact lines of the plot and also the exact lines of the buildings, and if there are any encroachments such a survey will show where they exist. Errors are sometimes made in the survey, which if guaranteed to be accurate, have proven costly to the surveyor who essentially guaranteed that the building was on the proper line. In one case with which the author is familiar, it was necessary for a bank to buy the property adjoining one taken under foreclosure, due to the fact that the building owned by the institution encroached about six inches on the land of the adjoining owner. Having a good case against the bank for trespass, he exacted his own price for a concession. The alternative was to buy the property of him, and thus make the ownership of the two coexistent. The bank was then able to draw a new deed to a prospective owner giving him only so much land as was occupied by the building in question.

At this point a word as to insurance may be acceptable. Some banks have restrictions in the matter of insurance policies. Some stipulate that policies in *designated companies only* will be accepted, and this would seem a very good idea, if the list is reasonably large and is a "fair" one. The bank can then rest assured that it is fully protected by good companies. Others stipulate that policies must be written through designated brokers, and this for obvious reasons. The bank, in law, has a perfect right to stipulate the conditions of its insurance, but whatever regulations are to be made in this respect should be made *before* the loan is closed, for after the matter is closed, the right of the bank to make such conditions will be waived.

The case of *Heal vs. Richmond Co. Savings Bank* (New York Savings Bank Cases, p. 18) is in point. In this case, the bank made a loan and after closing the matter, wrote the mortgagor that inasmuch as the bank required all policies to be written by an agent having an office in the Borough of Richmond, he would have to secure new policies. To this the owner did not assent and the bank secured the additional insurance and charged the same to the mortgagor.

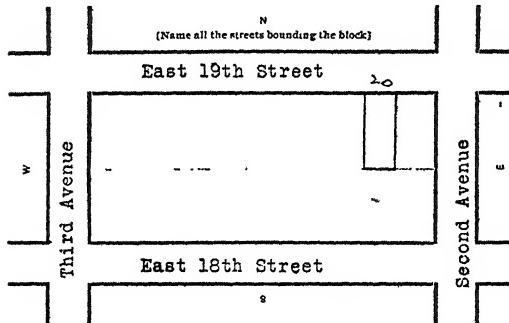
When payment of the principal was tendered, it was refused on the ground that the owner had refused to reimburse the bank for this insurance. He thereupon deposited the money in a trust company, subject to the order of the bank when it should deliver satisfaction of the mortgage. The bank brought suit and lost, upon the ground that hav-

Nov 1009 #912

New York, September 1st.

To the UNION DIME SAVINGS BANK:

The undersigned desires a loan of \$ 5,000 at 5 per cent. per annum, for
 [May or November]
 3 years from the 1st of next November
 on the Bond of John Goodman ----- and subject to your regulations printed
 on this application, secured by first mortgage of property described as follows, and provided
 the title is approved by the attorney of the Bank.



No. 20 East 19th Street

On the northerly side, 80 feet from
the N. E. corner of Second Ave.

Dimensions of Ground:

25 feet by 100 feet

Dimensions of Buildings:

25 feet by 80 feet.

Material of building, Brown Stone and Brick Number of stories, 3

Used for Dwelling Annual Rent, \$1,000 Insured for \$6,000

Valuation of ground, - - \$ 4,000 .

Valuation of buildings, - \$ 6,000 .

Total, as valued by applicant, \$ 10,000.
 Remarks: Recently overhauled and put in
 first class condition throughout; new
 plumbing and newly decorated

[Name and address of applicant]

A B Jones Broker.

[See Regulations on the back]

John Goodman
 20 E. 19th St.

APPLICATION FOR LOAN, CITY PROPERTY.

ing accepted the policy at first, and being in a good solvent company, it had waived its right to stipulate conditions regarding the insurance. Therefore, if any restrictions are to be made in such matters, they should be made *before* the loan is closed and not afterward.

In closing the loan, the usual custom is to draw a check for the amount, sometimes to the order of the attorney, and in other instances to the borrower; but not generally is the payment made in cash,* since the check makes valuable

*Some banks take a receipt for the money, in which case cash is paid over if desired.

APPLICATION FOR LOAN ON BOND AND MORTGAGE.

The Undersigned desires to procure from the ALBANY EXCHANGE SAVINGS BANK a loan of \$ 3,000, payable in U. S. gold coin in five years, with interest payable semi-annually on the first day of March and the first day of September, at the said Bank, at the rate of five per cent per annum, on the BOND of Johnathan J. Edwards secured by

Mortgage on the Following Described Property:

Location (Number and Street). 56 Quail Street

Between what cross streets, and distance from nearest one, State Street 100 feet east

Dimensions of ground, 50 x 100

Dimensions of building, and number of stories high, 50 x 80, three story and basement

Building Materials, Brick

Purposes of use, Private dwelling

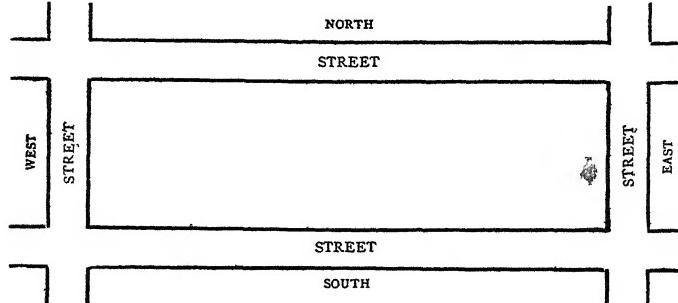
Value of ground, \$ 2,000

Value of building, \$ 3,000

Value of both as assessed for taxation, \$ 4,500

Annual Rent, \$ 420

Insurance for \$ 2,800



Remarks: .. Loan of \$3,000 no held by John B. Bridgeman, due September
1st, 1911

In case this application is considered by the ALBANY EXCHANGE SAVINGS BANK, the undersigned hereby agrees, in compliance with section 120 of the Banking Law of the State of New York, to pay to it, or its attorney, "all the expenses of Searches, Examinations and Certificates of Title or Appraisal of Value, and of Drawing, Perfecting and Recording the Papers."

Signature, Johnathan J. Edwards
Address, 56 Quail St.
Albany N.Y.

NAME <u>Samuel Simpson</u> ASSUMED BY <u>Rebecca Sampson</u>		ADDRESS <u>92 Java St.</u> LOCATION <u>898 Manhattan Ave.</u>		NO <u>398</u>	
Taxes <u>10/10/11</u> Rate <u>.5%</u> When Due <u>January 1st, 19-</u> Recorded <u>September 1st, 19-</u> Bond <u>✓</u> Mtg. <u>✓</u> Title Policy <u>✓</u> Application <u>✓</u> Search <u>✓</u> Insurance Held <u>\$3,500</u> Bond of <u>Samuel Simpson</u> For <u>\$7,000</u> Size of Lot <u>20 x 100</u> Building <u>20 x 80</u> Rents for <u>\$520</u> Section <u>2738</u> Block <u>334</u> Number <u>86</u> Remarks <u>Valuation \$7,000</u> Assessed <u>\$6,800</u> (<u>LM58</u>)		Java St. Franklin St. Kent St. Manhattan Ave. 		DATE <u>"Dec. 1, 19-</u> INTEREST DUE <u>4050</u> OTHER CHARGES ITEM INTEREST PAID <u>4050</u> WHEN PAID <u>Dec. 2</u>	
		DATE	PRINCIPAL LOANED	PRINCIPAL PAID	BALANCE DUE
		<u>Dec. 1, 19-</u>	<u>3500</u>		
Mortgage Ledger with provision for recording all necessary details regarding a mortgage loan. The space allowed for payments of interest is over twice the allotment for payments on account of principal. Note the provision for checking papers.					

MORTGAGE LEDGER. NOTE ARROW.

evidence of the transaction. When the check is drawn the loan is charged up to the borrower and ledger account opened with him. This account may be simple or it may be complex, the better idea being to have it complete as to detail, yet not weighted down by surplusage.

The ledger should show all the details covered by the papers, and the usual data taken on the ledger is: Name of mortgagor, with provision for recording subsequent owners; address; location of the property, often with diagram; rate of interest; place to which interest notices should be sent; amount of bond; amount of insurance; when due; when recorded; valuation; rents; provision for recording payment of taxes, with columns for recording the payments of both principal and interest.*

*A very helpful idea is to indicate somewhere on the ledger account the amount of interest the loan draws for one month or one day, so that in figuring accrued interest at any time this will form the basis of a quick calculation.

Inasmuch as banks frequently are called upon to advance insurance and taxes, it is a very good idea to have provision made for charging up such payments. Other

To the Trustees of the Oneida County Savings Bank:	
<p>We, the undersigned, a committee charged by your Board with the duty of investigating the facts in the matter of the application of <u>SP Hansen</u> for a loan of \$ <u>3500</u> from the Oneida County Savings Bank on a bond and mortgage upon the following described premises, to wit <u>James House lot 2</u>, <u>James St.</u></p>	
<p>do hereby report that we have made such investigation and recommend said loan and we certify the value of said premises to be \$ <u>7000</u> according to our best judgment.</p>	
<p>Dated Rome N.Y. <u>July 19</u> 19<u>19</u> <u>Typee Baumer</u> Trustee <u>H B Teller</u> Trustee <u>Hausserling</u> President</p>	

APPRAYER'S REPORT.

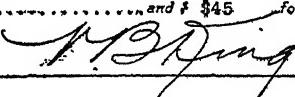
details may be covered in the ledger form, as the bank may elect, but one feature is worthy of commendation. It is very desirable to know that the papers are complete for

STREET		
<u>3,456</u> <u>245 West End Ave.</u>		
DATE	<u>March 25, 19</u>	WARD
MORTGAGOR	<u>Henry D. Henderson</u>	
OWNER	<u>Ralph J. Somerset</u>	
LOT NO	<u>233</u>	HOUSE NO.
KIND OF BUILDING	<u>5 Story Brownstone</u>	
BETWEEN WHAT STREETS	<u>Grant and Lincoln</u>	
APPRASERS	<u>Brown, Charles Co.</u>	
APPRASIAL		
LAND BUILDINGS		
LOAN	\$5,000	\$9,000

CARD RECORD OF MORTGAGE LOANS.

each loan without the necessity of going through the files; and spaces may be provided for checking off the papers as they are turned in, and by running through the ledger and noting the unchecked items, the missing papers can readily be ascertained.

If papers are removed from the files for any cause, a receipt should be taken and inserted in place of the papers taken, or notation made on the cover as to where they may

'RECEIPT for PARTIAL PAYMENT on Mortgage No. 345 .	SOUTHOLD, Surr Co. N. Y., September 1, 19
PRINCIPAL \$ 100 .. INTEREST from Mch. 1. till 1. 45. .	<i>Received from Andrew J. Jackson</i> <i>One hundred----- Dollars, as a Partial Payment</i> <i>on his----- Bond held by the</i> <i>Southold Savings Bank, secured by Mortgage on property located at</i> <i>No. 46 Center Ave..... and \$ 45 for interest on this</i> <i>payment.</i> <small>(Duplicate indorsed on bond)</small>  PB King, Treasurer
\$ 145 . Leaving balance of Principal unpaid \$ 1,400 ...	

RECEIPT FOR PART OF PRINCIPAL.

be found. The mortgage has now become part of the assets of the bank and all that remains to be done is to see that interest is collected when due, insurance constantly in force and taxes paid.

CHAPTER XXVI

BOND AMORTIZATION IN THEORY AND PRACTICE

Two men of finance once made an attempt to define a bond in the fewest possible words and settled upon the definition, "A promise to pay under seal." Cleveland, in "Funds and Their Uses," distinguishes between a bond and an ordinary promissory note in this way: "The only way that a bond is distinguished from an ordinary promissory note is by the fact that it is issued as a part of a series of like tenor and amount, and in most cases under a common security. By rule of common law, the bond is more formal in its execution. The note is a simple promise (in any form so long as a definite promise for the payment of money appears upon its face) signed by the party bound, without any formality as to witnesses or seal. The bond, on the other hand, in its old common-law form, required a seal, and had to be witnessed in the same manner as a deed or other formal conveyance of property, and though assignable, was not negotiable. This is still the rule within many jurisdictions."

Montgomery Rollins, in "Money and Investments," defines a bond as "An instrument by which a government, municipality, or corporation contracts and agrees to pay a specified sum of money on a given date (sometimes reserving the right for earlier payment); the bond itself being a coupon-bearing (or registered) note under seal; the coupons representing the quarterly, semi-annual, or annual interest, as the case may be, at a fixed rate."^{*}

In the case of corporation bonds, such as issued by steam and street railroads, telephone, telegraph, terminal, gas, water, power companies, and such enterprises, a mortgage is usually placed upon the property which secures the payment of the bonds issued against it. In this respect it is like a mortgage on real estate; the bond is the debt,—

^{*}Money and Investments, p. 44.

the promise to pay, while the mortgage is the pledge of security. In the case of government, state, city, county, town and school bonds, no mortgage is necessary, inasmuch as the bonds have back of them the faith, credit and taxing power of the municipality to insure payment. In some cases the government pledges certain revenues, such as customs receipts, taxes from tobacco, etc., as a guaranty of payment; but this is not common in municipal bonds, the right to tax the inhabitants for such purposes being sufficient to warrant the payment of the bonds as they mature.

It is essential, in fact vital, that the issue be legal; that is to say, that the debt shall be a binding obligation upon the issuing power. The law is usually explicit in these matters, stipulating what procedure is necessary in order to make a bond issue a valid claim against a municipality, and it is quite important that these conditions be fulfilled. Hence, every bond issue (other than those which are issued by a sovereign power, such as Congress, State Legislatures, etc., and by that token become legal without other formality) is usually closely looked into by attorneys who make a specialty of these matters, and who certify that the bonds have been lawfully issued; but this certification does not warrant their payment, being simply a lawyer's opinion as to having conformed to the law.

A SPECULATION OR AN INVESTMENT.

It is not the purpose of this chapter to go into the bond question in its various aspects, such as the varieties of bonds, the security, principles of investment, etc., which would make a book in itself, but rather to assume that as a savings bank, a block of bonds has been purchased and the present object is to properly keep account with them. Whether purchased by a private individual, a corporation, such as a college, hospital, or other endowed institution, or financial corporation, a bond investment takes on one of two aspects; it is either a speculation or an investment. The nature will depend upon the purpose for which the purchase was made. A bond in the hands of a bond house, whose business it is to buy and sell such securities, or in the hands of an individual or corporation that has bought with the expectation of selling again at a profit, is like merchandise of any kind, a commodity to be traded in.

But in the hands of savings banks, estates, or private investors, who buy for income and not for profit, the bond becomes a fixed investment, whose value, while influenced by the security, the market, current conditions, etc., is a scientific proposition in buying a certain article at a certain price, which will produce certain desired results. An investor, for instance, making up his mind that he would like an income of four and one-half per cent., need not hesitate long in a selection, for he knows that at this rate he can buy any quantity of good securities, safe as to principal and sure as to income, and need not stop to analyze the security, for following the well-known axiom of finance, "The greater the rate, the greater the risk," the low income is evidence of quality. Deciding, however, to obtain six per cent., he would need to look closer into the security back of his bond, and the chances for final payment.

If he merely wishes to *speculate*, he can probably find a more inviting field in some other line, where his profits will be larger; but in seeking profit, he must, in a measure at least, sacrifice security. Market conditions in all that the term means, have much to do with profit and loss in such a venture, but buying for *investment* and not for speculation, the market may rise and fall as it will and he can go serenely on his way.

As a commodity, a bond, like any other commodity, must be subject to outside influences; but as an investment, it has a fixed income value, which may be correctly ascertained at any time during the term of its life. It is like a piece of real estate under long lease to a responsible party; the value of the property may rise or fall, but the income is certain, and the bond has the added advantage that the principal is certain to be paid at the maturity of the instrument.

Three values attend every bond investment: past value, or the amount *paid*; future value—par, the amount that *will be paid*; the present value, or the holding value as determined by the process of amortization. To this may be added a value in the potential mood, which is the price that might, could, or would be obtained if the securities were sold.

Savings banks, trust companies, and other institutions and agencies that invest money for income and not for

trading purposes, must consider their bonds in the light of investments, to be held until maturity and sold during the interim, if at all only under necessity; or perchance, it may be, at a profit. Of course, the bond holdings are in a sense a secondary reserve, and are bought for this purpose. Some banks hold large quantities of high-grade bonds as quick assets to meet emergencies. One large New York bank held at one time a million dollars in Government bonds solely for such a purpose. But forced selling is not common, and with a fair margin of reserve, and a few securities of such character as are quickly salable in time of need, the bank may consider that it holds its securities for investment purposes only. I am not now discussing the question whether in determining surplus or guaranty fund, the par, the market or the investment value should obtain—that is another matter; for present purposes we are concerned only about proper accounting methods in relation to bond holdings.

AMORTIZATION AND WHAT IT IS.

Amortization is a technical term meaning literally, to kill. In finance, it means to liquidate a debt by the creation of a sinking fund. In investment accounting, it means to replace a premium by setting aside, out of the income, periodically, such amounts as will equal the premium paid, at the maturity of the bond. This should not be done, as some banks do, by a single stroke of the pen, but by a scientific process of accounting,—keeping books, as it were, with the premium or discount and the apparent (for it is apparent) loss or gain; and when properly understood, amortization is just keeping books.

AMORTIZATION A LEGAL REQUIREMENT.

Bond accounting in such institutions should be based upon the broad and equitable rule of finance and of law that the principal should be kept intact at all times. The relationship between a bank and its depositors in this regard is similar to that between the executor or trustee of an estate and the beneficiaries. Unless stipulated in the trust, the estate is to be kept intact, and only the *net income* paid over to the beneficiary; otherwise the remain-

derman will come into his inheritance only to find the principal depleted by overpayment of income. "*The capital of the trust should be kept intact, and that to that end an adequate proportion of the annual income should be set apart to make good the amount paid in premiums in order to secure a proper investment, it is the duty of the trustee, who has invested the trust funds in bonds purchased at a premium, to set apart out of the income payable to the life beneficiary a sufficient sum each year with which to form a sinking fund of such extent that the principal of the trust will be kept intact and unimpaired.*" *N. Y. Life Ins. and Tr. Co. v. Baker*, 165 N. Y. 484.

The New York Banking Act requires that "The stocks, bonds, promissory notes or other interest-bearing obligations purchased by a savings bank shall not be entered on its books at more than the actual cost thereof, and shall not thereafter be carried upon the books for a longer period than until the next declaration of dividends, or in any event for more than one year, at a valuation exceeding their present cost as determined by amortization, that is, by deducting from the cost of any such stock or security purchased for a sum in excess of the amount payable thereon at maturity, and charging to profit and loss, a sufficient sum to bring it to par at maturity, or adding to the cost of any such stock or security purchased at less than the amount payable thereon at maturity and crediting to profit and loss, a sufficient sum to bring it to par at maturity."

As already suggested, three elements enter into every bond transaction that has for its purpose a permanent investment. These are, cost, maturity, and interest rate; or, we might put it, maturity, face rate, and expected income rate, for having these the cost can be ascertained by the use of Bond Tables, the best known of which are those of Montgomery Rollins and Charles E. Sprague. The latter carry the computations to six decimals, and are more accurate in large transactions than the former. Knowing the cost and the maturity, we can readily ascertain the income basis (knowing, of course, the face rate); or, knowing the expected income, the maturity and the face rate, we can easily determine the cost.

The income, or interest, is represented by the coupons (little promises to pay) attached to the main promise; or

in the event of registry, the periodical receipt of check covering the interest promised.

A RISING OR A FALLING IN VALUE.

But whatever the cost, or the form of the instrument, we have two periods of fixed value, the time of purchase—cost, and the time of maturity—par. During the interim, we have a gradually *ascending* or *descending* value, depending upon whether the bond is a premium security or one at a discount. The premium bond *loses* in value steadily until it reaches par; while the discount bond *increases* in value until it also reaches par, or 100. It is, therefore, vital to the investor to know just *how much* this increase or decrease is; for otherwise he will be led to believe that he is receiving more than he bargained for on the one hand, and sooner or later must take his loss; while, on the other hand, if he holds a discount bond, he will receive *less* than the expected income and sooner or later (certainly at maturity) will find a profit attending his investment which while apparently a sudden occurrence, has been steadily going on ever since purchase. (This, of course, presumes the investment is made for investment and not for speculative purposes, otherwise the amortization theory will simply tell how much must be realized at a given time to obtain the expected income and principal in full.) It matters not how much the cost may have been, even if in excess of the true value, for having bought for income, and not for trading, the investor can tell to a certainty what his money will earn, and buying for investment only, he may pay his own price and yet receive all that he bargains for.

Institutions as well as investors have been inclined to ignore this gradual increase or decrease in the value of their holdings and consider the gain or loss as *immediate*, which is not and cannot be true, except in case of sale. If par is paid for a security the process of amortization will not apply; but this is infrequent. Many banks pride themselves on holding their bonds at par in their statements, and, if they are all premium bonds, it is a conservative basis, to say the least; but if discount issues are much in evidence, it is like unto a merchant taking inventory at *selling* prices. And, again, other banks make it a custom to charge all premiums to profit and loss and make an im-

mediate adjustment of the loss, or take the expected profit; but the practice of marking *up* is not so common as marking them *down*. However, both processes are incorrect. Another method, which is quite frequent, is to carry a premium account and charge off each year as much "as they can spare."

This is utterly unfair to all concerned—the bank, the depositor, the surplus and the investment. An institution like a savings bank has no more right to pay its depositors more than it has earned than a trustee has to pay a beneficiary the whole income from a premium bond. *If it does it impairs the principal of its trust.* Likewise it has no right to consider the surplus depleted at every bond purchase, or suddenly inflated at every maturity. The bank man may know that he paid 101 for a bond and gets 100, or pays but 90 and gets 100, and somewhere, some time, he has suffered a loss or made a gain, but when and how he does not know. It therefore behooves him to find out just *how much his money earns for him*, and when and how he makes a profit or takes a loss. *Amortization will tell him both when and how.* As aforesaid, this loss or gain is apparent only.

Two METHODS OF AMORTIZATION.

There are two methods of amortizing a bond, either of which will give good results. The first is the true, or scientific method, and the other is the average, or pro rata, sometimes called the "common sense method." The scientific, as its name implies, is mathematically correct. It is based on the principle that only the net income is received, and the difference between the *interest actually received* and that which is *actually earned* is the amount to be set aside for the replacement of the premium; or, to put it in another form:

Interest received—interest earned=amortization.

To illustrate: A five per cent. bond, five years to run, bought to net 4 per cent., costs 104.49, or \$1,044.90. Evidently the *latter sum* is the amount invested and *not the par value of the bond, \$1,000.* You have paid \$1,044.90 for this piece of paper and you must get it all back, *if the principal is to be kept intact.* You expect to get, not 5 per cent., but 4 per cent., on your money, as it was purchased

with this in mind. Now, the interest on \$1,044.90 at 4 per cent. is \$41.80 a year. But you get 5 per cent. on \$1,000 (\$50.00) which is more than you bargained for. Therefore the difference between what you should have had (\$41.80) and the amount received (\$50.00) *is the part payment of your premium handed back to you out of the interest.*

If the book of bond tables is used, the value of a security at any given time and rate may easily be found by turning to the proper page and column; but inasmuch as "split rates," such as a 4.80 bond on a 4.18 basis, are not provided for in the tables, such problems necessitate "splitting" the figures given in the tables. A simpler way is to *multiply the invested amount by the income rate and subtract as above shown.* On a discount bond the operation is reversed. Here the interest received will not be the true amount and will need to have the amortization *added* in order to reflect the correct income on that security. Example: A 4 per cent. bond, five years to run, on a 5 per cent. basis, costs 95.62, or \$956.20. The income expected is 5 per cent. and not the face rate—4 per cent. Now the interest on \$956.20 at 5 per cent. is \$47.81. But the bonds pay but 4 per cent. on \$1,000, or \$40.00. Therefore the difference between the amount received and that which was due according to the calculation at purchase should be *added* to the income and charged to the bond, making the true income \$47.81 for the first year, and the value at the end of the first year 96.40,* as the tables will show. This amount is the *increase in the bond value* as it approaches maturity.

Having a clear idea of what amortization is, as applied to a bond investment, and what it is intended to accomplish, let us proceed to do it. The tables given in connection herewith are all based on the one problem of a 5 per cent. bond, purchased to net 4 per cent., due in five years, either straight or serially, interest due semi-annually. It will therefore be easy to make comparisons of the different methods.

*The tables based on semi-annual interest give 96.41 as the value at the four-year period, but this is near enough to illustrate the point. This figure is obtained by adding \$7.81 to \$956.20, making \$964.01. "First year" means first year held; the bonds would run four years longer, and the value of a "4 year bond" on this basis is 96.40.

* A "STRAIGHT" ISSUE—SCIENTIFIC METHOD.

We shall take, first, an issue of \$5,000 of such bonds purchased January 1, 1928, which run until January 1, 1933, and are due (Table No. 1). By turning to the book of bond tables we shall find that such a bond is worth \$104.49. This is the value given in Rollins' Book of Bond Values. By using Sprague's Extended Bond Tables, which give the values to the nearest cent on a million dollars, the price would be slightly different. But inasmuch as the Rollins' Tables are in more general use than Sprague's, we shall use these as the basis of our calculations. By turning to the pages headed 5, 4 1-2, 4, 3 1-2, 3, 2 1-2, 2, 1 1-2, 1 and 1-2 years, opposite the 4 per cent. in the left hand margin, we will find* the figures given in the last column of Table No. 1. These are the values at the different periods. By subtracting the value at one period from the value at the next preceding period we get the amortization for the pe-

TABLE NO. 1.

TABLE 1.—Five per cent. bond on four per cent. income basis. Purchased January 1, 1928; due January 1, 1933; five years "straight." Amortized by use of Rollins' Bond Tables, which give the values at the different periods as in the last column.

Date.	Par Value.	Amorti- zation.	True Interest	Investm't Value.*	Interest Due.	Amount Due.	Rate.
Jan. 1, 1928	\$5,000	.....	.....	\$5,224.50	.....	.....	104.49
July 1, 1928	.....	\$20.50	\$104.50	5,204.00	July 1, 1928	\$125.00	104.08
Jan. 1, 1929	.....	21.00	104.00	5,183.00	Jan. 1, 1929	125.00	103.66
July 1, 1929	.....	21.00	104.00	5,162.00	July 1, 1929	125.00	103.24
Jan. 1, 1930	.....	22.00	103.00	5,140.00	Jan. 1, 1930	125.00	102.80
July 1, 1930	.....	22.00	103.00	5,118.00	July 1, 1930	125.00	102.36
Jan. 1, 1931	.....	23.00	102.00	5,095.00	Jan. 1, 1931	125.00	101.90
July 1, 1931	.....	23.00	102.00	5,072.00	July 1, 1931	125.00	101.44
Jan. 1, 1932	.....	23.50	101.50	5,048.50	Jan. 1, 1932	125.00	100.97
July 1, 1932	.....	24.00	101.00	5,024.50	July 1, 1932	125.00	100.49
Jan. 1, 1933	.....	24.50	100.50	5,000.00	Jan. 1, 1933	125.00	100.00
		\$224.50	\$1,025.50			\$1,250.00	

* The Sprague tables would be slightly different from these figures.

riod. This amount taken from the interest received gives the true interest which has been earned on this investment. This is the scientific method, by use of the bond tables. It will be observed that the *amortization plus the true inter-*

*In the "5% column."

est equals the *interest received*, both in the various amounts and in total, thus proving the result of the whole computation. Table No. 1 will bear out these observations.

TABLE NO. 2.

TABLE 2.—Bond purchased at an intermediate period. Five per cent. bond on four per cent. basis; four years and nine months to run; bought April 1. Amortized as of January and July to keep the dates uniform. For rule see text. Values at different periods from Rollins' Tables of Bond Values.

Date.	Par Value.	Amortization.	True Interest.	Investment Value.*	Interest Due.	Amount Due.
April 1, 1928	\$5,000	.....	.....	\$5,214.25	.....	.....
July 1, 1928	.....	\$10.25	\$52.25	5,204.00	July 1, 1928	**\$62.50
Jan. 1, 1929	.....	21.00	104.00	5,183.00	Jan. 1, 1929	125.00
July 1, 1929	.....	21.00	104.00	5,162.00	July 1, 1929	125.00
Jan. 1, 1930	.....	22.00	103.00	5,140.00	Jan. 1, 1930	125.00
July 1, 1930	.....	22.00	103.00	5,118.00	July 1, 1930	125.00
Jan. 1, 1931	.....	23.00	102.00	5,095.00	Jan. 1, 1931	125.00
July 1, 1931	.....	23.00	102.00	5,072.00	July 1, 1931	125.00
Jan. 1, 1932	.....	23.50	101.50	5,048.50	Jan. 1, 1932	125.00
July 1, 1932	.....	24.00	101.00	5,024.50	July 1, 1932	125.00
Jan. 1, 1933	.....	24.50	100.50	5,000.00	Jan. 1, 1933	125.00
						\$1,187.50
				\$214.25	\$973.25	

* The Sprague tables would vary somewhat from these figures, owing to more accurate computations.

** There would be six months' interest due at this time, but the bank would only be entitled to three months' interest. To make problem balance only net interest has been included.

BONDS PURCHASED AT ODD DATES.

Table No. 2 shows the same bond purchased on April 1, 1928, and amortized as of January and July. It is better to keep all amortizations at uniform dates for convenience in making reports and adjusting the general ledger to conform with the bond book. In New York State amortization being compulsory for savings banks and trust companies, and the reports of the former being required January and July, uniform dates greatly facilitate the work. Where the period is even, as, in this case, four years and nine months, it is not a difficult matter to ascertain the value of the bond, or the amortization for the period, as it is a simple "split" in the table; thus: Value, 4 years and 6 months, \$104.08. Value 5 years, \$104.49; add together, equals \$208.57. Divide by 2, equals \$104.285 x 5 equals \$5,214.25, cost of the lot. Valued at 4 1-2 years (July 1, 1929,) \$104.08, x 5 equals \$5,204.00, which taken from previous value, \$5,214.25, leaves the amortization

July 1, \$10.25. But when a bond is purchased at an odd date, as, for instance, April 22, to find the value at that date and the amortization for the two months and eight days is a more difficult matter. To ascertain the correct *cost* necessitates "splitting" the tables, and for this process the reader is referred to a treatise on this subject published by the author of the extended bond tables referred to above, Mr. C. E. Sprague, late President Union Dime Savings Bank, New York.* But to ascertain the correct *amortization* for the period from April 22 to July 1, *find the true interest for the period (69 days' interest on \$5,211.55 at 4 per cent.)* and deduct this from the interest due (69 days' interest on \$5,000 at 5 per cent.) and the difference is the amortization for the 69 days. After this the work can proceed as in Table 1.

SERIAL BONDS—HOW TO FIGURE THE COST.

Thus far no serious difficulty is likely to arise, as the rules are simple, depending largely upon finding proper columns and pages. But, in the case of a serial bond, more difficulty attends. In the first place the amortization, being based upon computations mathematically correct, the *cost price must be based on like computations*, or the result will not work out correctly.

In serial bonds it is the general custom among bond houses to quote prices by averages. For instance, Mr. Bondman offers a lot of bonds, five per cents., due serially from 1928-1933, on a four per cent. basis. You ask him, "How much will they cost?" He quickly adds one and five (the time the first and last bonds have to run), divides the amount (6) by two and gets three as the average. He turns to three-year bonds in the aforesaid tables, finds the rate to be 102.80, and you take them at that price, \$5,140. After handing him his check you endeavor to amortize them according to the above rules (scientifically), *get an average of \$1.80* at the end of the calculation, and wonder what can be the matter. The trouble is, *you paid him too much.*

*Accountancy of Investment—C. E. Sprague, Ronald Press, New York.

Bond No. 1 runs one year and is worth (find it in the book)...	\$1,009.70
Bond No. 2 runs two years and is worth.....	1,019.00
Bond No. 3 runs three years and is worth.....	1,028.00
Bond No. 4 runs four years and is worth.....	1,036.60
Bond No. 5 runs five years and is worth.....	1,044.90
Cost of lot	\$5,138.20
Cost of the lot by average method of determining cost price (\$1,028.00x5)	\$5,140.00
Difference	\$1.80

It is therefore essential that the price be correct if the scientific method is used. For this reason the average or pro rata method is desirable as *the accuracy of the amortization does not depend upon the cost. The premium is pro-rated over the period, and a slight variation in the cost, either one way or the other, does not affect the ultimate result.*

AMORTIZATION OF SERIAL BONDS—SCIENTIFIC METHOD.

Table No. 3 shows a calculation for a serial bond of same character as those given above. One bond matures each year for 5 years. The result in this instance has been computed without the use of the table.

TABLE NO. 3.

TABLE 3.—Serial bond. Scientific amortization. A five per cent. bond, due 1928-33, on four per cent. basis.

Amortization determined by multiplying the investment value by income rate (four per cent.) and subtracting this from the interest received.

Date.	Par Value.	Amortization.	True Interest.	Investment Value.	Interest Due.	Amount Due.
Jan. 1, 1928	\$5,000	.....	.....	\$5,138.20	.....	.....
July 1, 1928	.....	\$22.24	\$102.76	5,115.96	July 1, 1928	\$125.00
Jan. 1, 1929	4,000	22.68	102.32	4,093.28	Jan. 1, 1929	125.00
July 1, 1929	.....	18.14	81.86	4,075.14	July 1, 1929	100.00
Jan. 1, 1930	3,000	18.50	81.50	3,056.64	Jan. 1, 1930	100.00
July 1, 1930	.....	13.88	61.12	3,042.76	July 1, 1930	75.00
Jan. 1, 1931	2,000	14.16	60.84	2,028.60	Jan. 1, 1931	75.00
July 1, 1931	.....	9.44	40.56	2,019.16	July 1, 1931	50.00
Jan. 1, 1932	1,000	9.62	40.38	1,009.54	Jan. 1, 1932	50.00
July 1, 1932	.....	4.82	20.18	1,004.72	July 1, 1932	25.00
Jan. 1, 1933	.....	4.72*	20.28	1,000.00	Jan. 1, 1933	25.00
				\$138.20	\$611.80	
						\$750.00

* Where there is a discrepancy in the last amortization, usually a few cents due to dropping the half cents, it can be adjusted in the last amortization.

AVERAGE (OR PRO RATA) METHOD.

We shall now take up the average (or pro rata) method, which is simpler and in small transactions, gives satisfactory

results. The idea is simply this: The amount of the premium must be liquidated during the course of a number of years. The principal is gradually reduced by the replacement of the premium; but for present purposes we shall take a straight issue, five years to run, and therefore *divide the premium into as many parts as there are interest periods*, and the result will be the proper charge against each year. This is not mathematically correct, but far better than the "hit or miss" method hereinbefore suggested.

By comparing Table 1 with Table 4, it will be seen that the charge against the first year is \$20.50 by the scientific method (Table 1), and \$22.45 by the average method (Table 4). In the last period the charge is the same in the average method, but *increased* to \$24.50 by the scientific. If the sum involved was larger, the comparison would be more forcible, but the ratio would be the same.

TABLE NO. 4.

TABLE 4.—Average or pro rata method of amortization. Five per cent. bond, five years to run; purchased January 1, 1928; due January 1, 1933. Premium, \$224.50, divided into ten equal parts.

Date.	Par Value.	Amortization.	True Interest.	Investment Value.	Interest Due.	Amount Due.
Jan. 1, 1928	\$5,000	.....	.....	\$5,224.50	.....	.....
July 1, 1928	\$22.45	\$102.55	5,202.05	July 1, 1928	\$125.00
Jan. 1, 1929	22.45	102.55	5,179.60	Jan. 1, 1929	125.00
July 1, 1929	22.45	102.55	5,157.15	July 1, 1929	125.00
Jan. 1, 1930	22.45	102.55	5,134.70	aJn. 1, 1930	125.00
July 1, 1930	22.45	102.55	5,112.25	July 1, 1930	125.00
Jan. 1, 1931	22.45	102.55	5,089.80	Jan. 1, 1931	125.00
July 1, 1931	22.45	102.55	5,067.35	July 1, 1931	125.00
Jan. 1, 1932	22.45	102.55	5,044.90	Jan. 1, 1932	125.00
July 1, 1932	22.45	102.55	5,022.45	July 1, 1932	125.00
Jan. 1, 1933	22.45	102.55	5,000.00	Jan. 1, 1933	125.00
						\$1,250.00

SERIAL BONDS—PRO RATA METHOD.

Serial bonds are the most troublesome, and more detailed explanation will be necessary, especially if amortized by the average method. Here we shall have a lessening principal each year. The amortization will be reduced likewise. Therefore the following rule will be useful:

1. *Divide the premium by the average number of years the bonds run; this will give the average amortization.*
2. *Divide the average amortization by the number of bonds; this will give the annual reduction.*

In this illustration the bonds cost us \$5,140, and we have the premium, \$140, divided by 3 (average time to run) which gives \$46.66 as the average amortization. \$46.66 divided by 5 (the number of bonds) gives \$9.33 as annual reduction. We can prove that our work is right before making any subtractions by striking a total, and at same time prove the correctness of our theory, thus:

Amortization for first year (five bonds are in force) and we take five-fifths of the average amortization, or.....	\$46.66
Amortization second year (four bonds are in force) and we take four-fifths of \$46.66, or \$46.66, less the reduction, \$9.33, which is	37.33
Amortization third year (three bonds are in force) and we take three-fifths of \$46.66, or the last amount, \$37.33 less \$9.33, obtaining for the third year	28.00
Amortization fourth year (two bonds are in force) and we take two-fifths of \$46.66, or \$28.00 less \$9.33, and get for the fourth year	18.67
Amortization fifth year (one bond is in force) and we take one-fifth of \$46.66, or \$18.67 less \$9.33, and get.....	9.34
Which added together gives us the total desired.....	\$140.00

This shows the computations to have been correct, and all figures made in the accounting of this issue will likewise be correct. *We have proven the whole transaction.*

The amortization for the half-yearly periods will be one-half of the amount for the year. The table will stand like this:

TABLE NO. 5.

TABLE 5.—Serial bonds. Average or pro-rata method. Rule: Divide the premium by the average time to run, which gives average amortization. Divide average amortization by the number of bonds, which gives annual reduction.

Date.	Par Value.	Amortization.	True Interest.	Market Value.	Interest Due.	Amount Due.
Jan. 1, 1928	\$5,000	.....	.....	\$5,140.00*	.....	.....
July 1, 1928	....	\$23.33	\$101.67	5,116.67	July 1, 1928	\$125.00
Jan. 1, 1929	4,000	23.33	101.67	4,093.34	Jan. 1, 1929	125.00
July 1, 1929	....	18.67	81.33	4,074.67	July 1, 1929	100.00
Jan. 1, 1930	3,000	18.66	81.34	3,056.01	Jan. 1, 1930	100.00
July 1, 1930	....	14.00	61.00	3,042.01	July 1, 1930	75.00
Jan. 1, 1931	2,000	14.00	61.00	2,028.01	Jan. 1, 1931	75.00
July 1, 1931	....	9.34	40.66	2,018.67	July 1, 1931	50.00
Jan. 1, 1932	1,000	9.33	40.67	1,009.34	Jan. 1, 1932	50.00
July 1, 1932	....	4.67	20.33	1,004.67	July 1, 1932	25.00
Jan. 1, 1933	....	4.67	20.33	1,000.00	Jan. 1, 1933	25.00
	\$140.00		\$610.00			
						\$750.00

* Price is \$1.80 too much to illustrate the point made in the text that *price does not affect the average method of amortization.*

SERIAL BONDS RUNNING MORE THAN ONE YEAR BEFORE FIRST MATURITY.

Bonds frequently have from two years upwards to run before the first bond falls due. *Our rule as above will not work in such cases*, as the bonds will be due long before the premium is replaced. We therefore evolve this rule: *In cases where serial bonds do not begin to mature one year after purchase, the amortization for the first year is the amortization for each year until the first bond falls due.* After this apply the rule as above given and it will work out properly. Table 6 shows this principal. Here the bonds run three years before the first maturity, and we take the amortization for 1928 as the amortization for 1929 and 1930 also, giving three years alike, until January 1, 1931, when the reduction begins to take effect. *This must be clearly understood or confusion and inaccuracy will result in the effort to apply the pro rata method to serial bonds of this sort.* The last amortization must fall on the due date of the last bond, or the work has been incorrect.

TABLE NO. 6.

TABLE 6.—Serial bond running three years before first maturity. Average method. Purchased January 1, 1928; due January 1, 1931-35. For rule see text.

Date.	Par Value.	Amortization.	True Interest.	Investment Value.	Interest Due.	Amount Due.
Jan. 1, 1928	\$5,000	.....	.....	\$5,222.90	.....	.....
July 1, 1928	.....	\$22.29	\$102.71	5,200.61	July 1, 1928	\$125.00
Jan. 1, 1929	.....	22.29	102.71	5,178.32	Jan. 1, 1929	125.00
July 1, 1929	.....	22.29	102.71	5,156.03	July 1, 1929	125.00
Jan. 1, 1930	.....	22.29	102.71	5,133.74	Jan. 1, 1930	125.00
July 1, 1930	.....	22.29	102.71	5,111.45	July 1, 1930	125.00
Jan. 1, 1931	4,000	22.29	102.71	4,089.16	Jan. 1, 1931	125.00
July 1, 1931	.....	17.84	82.16	4,071.32	July 1, 1931	100.00
Jan. 1, 1932	3,000	17.83	82.17	3,053.49	Jan. 1, 1932	100.00
July 1, 1932	.....	13.38	61.62	3,040.11	July 1, 1932	75.00
Jan. 1, 1933	2,000	13.38	61.62	2,926.73	Jan. 1, 1933	75.00
July 1, 1933	.....	8.93	41.07	2,017.80	July 1, 1933	50.00
Jan. 1, 1934	1,000	8.92	41.08	1,008.88	Jan. 1, 1934	50.00
July 1, 1934	.....	4.44	20.56	1,004.44	July 1, 1934	25.00
Jan. 1, 1935	.....	4.44	20.56	1,000.00	Jan. 1, 1935	25.00
						\$1,250.00
	\$222.90	\$1,027.10				

DISCOUNT BONDS.

All that has been said will apply to discount bonds, inversely. In this class of securities the amortization is *added*

to the interest received to get the true interest earned. It is obvious that a 4 per cent. bond purchased to net 5 per cent. earns more than the face rate. The annual accretion must therefore be *charged against the bond* and *credited to income account*, thus giving the bank the benefit of this annual increase in value; and, as the bond approaches maturity, its holding value increases until, at the time of payment, it *stands at exactly par*—the sum that will be received for it.

TABLE NO. 7.

TABLE 7.—Discount bond. Four per cent. bonds on five per cent. basis; five years to run. Amortization by accretion. True Interest = Interest received + Amortization. Values at different periods from Rollins' Bond Tables. Practically the same result would be obtained by multiplying the investment value by income rate. In this instance, $\$4,781.00 \times 2\frac{1}{2}$ (six months interest at five per cent.) would give \$119.52, instead of \$119.50, as per the table.

Date.	Par Value.	Amortization.	True Interest.	Investment Value.	Interest Due.	Amount Due.
Jan. 1, 1928	\$5,000	.....	.....	\$4,781.00	.....	.....
July 1, 1928	.....	\$19.50	\$119.50	4,800.50	July 1, 1928	\$100.00
Jan. 1, 1929	.....	20.00	120.00	4,820.50	Jan. 1, 1929	100.00
July 1, 1929	.....	21.00	121.00	4,841.50	July 1, 1929	100.00
Jan. 1, 1930	.....	21.00	121.00	4,862.50	Jan. 1, 1930	100.00
July 1, 1930	.....	21.50	121.50	4,884.00	July 1, 1930	100.00
Jan. 1, 1931	.....	22.00	122.00	4,906.00	Jan. 1, 1931	100.00
July 1, 1931	.....	22.50	122.50	4,928.50	July 1, 1931	100.00
Jan. 1, 1932	.....	23.50	123.50	4,952.00	Jan. 1, 1932	100.00
July 1, 1932	.....	23.50	123.50	4,975.50	July 1, 1932	100.00
Jan. 1, 1933	.....	24.50	124.50	5,000.00	Jan. 1, 1933	100.00
						\$1,000.00
	\$219.00		\$1,219.00			

Bond amortization is not a perplexing art, although the methods of estimating bond values involve technical knowledge of mathematics and accounting. Once the theory is clearly in mind it is not burdensome; and, by using the pro rata method, the problem can be proven at the start, thus avoiding errors in subtracting across columns. If the amortization foots up correctly the investment value must reduce to nothing in like amounts. But where large amounts are invested the scientific method is recommended. While it probably entails more labor, it is accurate, and accuracy always costs its price.

CHAPTER XXVII

SAVINGS BANK AUDITS

The first question that arises concerning a savings bank audit naturally is, why should such an institution be examined? And the answer quickly comes, first, that the work of the clerical force may be tested and the honesty and fidelity of the employees proved; and, second, to determine that the institution is solvent, that the management is capable, the assets intact, the liabilities what they purport to be, that it is not violating the law, that the policies are safe and sound, and that the work is reported properly to the board of managers. Small and sometimes large losses occur through carelessness or dishonesty of the clerical force, and it is important that every safeguard shall be afforded the men who receive and pay money, as well as those who handle the securities and records. Every bank owes its employees a reasonable measure of protection against temptation, and thorough examinations are usually recognized as one of the best if not the chief means to this end.*

BANK MEN ARE HONEST.

It is no doubt true that most bank men are honest, as well as efficient; and while the working force should be subject to examination, the officers themselves should be subject to the same process; and right here it may be well to digress for a moment to say that every bank owes it to itself and to its employees to make the temptation to betray a trust as light as possible; to this end, every bank should aim to pay its employees adequate salaries, so that the man who handles money or valuables will not be tempted by an inadequate compensation to do those things which he would never contemplate if he were well paid for his labor. For this reason one large New York savings bank pays its tellers \$4,000 a year.

*J. E. Sterrett, C. P. A., before Philadelphia Chapter, A. I. B.

It is easily to be seen that the teller working on a salary of \$2500 and handling millions in the course of the year, and obliged by virtue of his office to maintain the dignity of his calling, to dress reasonably well, and live in a good neighborhood, is under a severe test of honesty. The chances are that he would not be tempted if he were paid so well that he could live decently without feeling the pinch of poverty; but if he must carefully economize, cut corners, deny himself most of the luxuries and a few of the necessities of life, the odds are all against him; and on the other hand, the bank would be the gainer, for no better safeguard can be placed upon the men who are in such positions of trust than to pay them so well that they can have some of the good things of life through honest means. *A contented man is a much safer risk than an insured one.* Of course, a small salary does not excuse theft, but it often helps wonderfully to explain it; and while the audit should be exhaustive in its test of the working force, banking history shows that few banks are ever wrecked by the men in subordinate positions; those that have succumbed have been brought to ruin by the recklessness or dishonesty of the men higher up.

Let us see what constitutes a complete and exhaustive verification of the affairs of a savings bank. This divides itself into four parts; the examination by the State; the examination by the trustees; the examination by an independent auditor, and lastly, the internal audit.

Examinations by the State are made by periodical visitations by the State examiners, running from six months to two years in intervals, supplemented by reports rendered either quarterly upon call, or semi-annually or annually at stated times. These reports of course are in no sense an audit, being merely a digest of the bank's books. The examination by the State is supposed to be an audit, but it overlooks in many instances the most important part of the whole matter, the verification of the pass books and the aggregating of the liabilities as expressed by the outstanding accounts.

The internal audit, being made by parties from the inside, is practically no audit at all, for in spite of the examination, so-called, of trustees, and the checking of the work by the head bookkeeper, and other supervising officers,

huge and inexcusable defalcations have been visited on the savings as well as other banks.

The only true audit is one made under the direction of an outside party who has no interest in the bank whatever, and whose sole end and aim is to get at the root of things and uncover the condition of the bank at a particular time, without regard to the feelings of those whose work is under surveillance. Such an audit by an independent party has been recommended year by year by the Auditing Committee of the American Bankers' Association, and many large banks now employ such a person, both to check up the work at monthly or semi-annual periods, as a safeguard upon the accounting system, and also at intervals to review every pass book which is presented for any purpose whatever.

The first thing to determine in such a process is: do the assets as called for by the books of the bank *really exist?* Not, are there vouchers for these assets or memoranda of the same, but are they in their original form in the possession of the bank and unhypothecated? and second, are the liabilities as per the pass books the same as shown by the general ledger, and, if so, is the bank sound in all that the term "soundness" implies.

THE PSYCHOLOGY OF AN AUDIT.

There is psychology in bank audits as well as in other things. The manner in which it is conducted and the object in mind have much to do with its success. To begin with the assumption that the bank man is honest and the audit will prove him so, is much better than to assume that every man is a rogue and must be caught. The auditor or examiner who enters the bank at nine o'clock in the morning with the air of a detective, "seeking whom he may devour," will find his work much harder and more unsatisfactory than if he assumes the role of a helper and advisor, whose duty it is to prove the men honest and to suggest changes for the betterment of the work.

One of the first requisites of a true audit is that the auditor shall go about his business as if he knew what he was doing. If he goes into a bank not knowing just where to begin, or what to do, he is certain to make a bad impression, as well as a poor audit.

It is important that a *savings* bank man audit a *savings*

bank, for unless the auditor has had experience in this particular line he cannot know the inside methods by which things are done, and a commercial bank man examining a savings bank or a savings bank man examining a commercial bank is at a serious disadvantage.

One of the principal objects of an audit is that the work may be kept at a high state of efficiency. A suggestion here and there, will often help in the betterment of the book-keeping system, and as for loose methods on the part of the managing officials, they should not be tolerated. It is no excuse for a body of trustees that they trusted one of their number and gave him unlimited power, as well as unlimited confidence; they have violated the first rule of trusteeship in "trusteeing the trust" which they should have in all honor administered in person. It is not only the trustee's duty, but it is his right to know just what is going on in his institution, and he cannot, either in law or morals, excuse himself for blindness when both law and good management demand that he should see.

Some bank men claim that our banks are examined too much; others, not enough; but however this may be, the savings banks of the mutual type are not as a rule examined more than once a year, which is certainly none too often. The *frequency* of the examination is not as important as the *character* of it, and a loose examination once a week is not as desirable as a complete and comprehensive examination once a year.

An internal check is often found advisable through some such means as, in a large bank, an examination by a committee of employees, or by a shifting of the force so that one man will not do the same work continually. Only collusion will then fail to unearth crooked practices; but such internal audit, if made by men who are themselves dishonest, of course avails nothing.

THE SCOPE OF THE AUDIT.

A true audit must necessarily consist of: First, counting the cash on hand and verifying with the statement of cash; all items other than cash, but held as cash, should be fully explained, and if a petty cash account is carried, ascertain that it is not abused. Second, all collateral loans should be examined to see that the collateral is what it pur-

ports to be; that it is properly pledged; that it is in proper form to make good delivery; that the accompanying notes are signed, and that the margin is safe. All bonds and securities should be listed; the coupons examined to see that they are all intact; the market value calculated; and if the bonds are carried at investment values, the total of the investment values should agree with the bond account with proper deductions for amortization charges; if carried at par value, the total of the bonds in the vault will, of course, agree with the par value as shown by the ledger account. Mortgages should be examined to see that taxes are paid, that the title insurance

RECEIPT TO BE ACKNOWLEDGED ALSO ON BOND	RECEIPT FOR INTEREST. Mortgage No. 8768
	Principal, \$1000.00. Rate, 6%. Time, 6 months. \$300.
	New York, April 18 -
	RECEIVED from <u>H.B. Seemann</u> Check for <u>Three hundred</u> Dollars, for interest to May 1st, 19 ¹ , on Bond and Mortgage to the Union Dime Savings Bank. <u>H.S. Seller</u> <small>See Your Mortgage is subject to the Regulations on the other side</small> <u>Cashier</u>

RECEIPT FOR INTEREST ON MORTGAGE. ENABLES BORROWER TO VERIFY
AMOUNT OF PRINCIPAL UNPAID.

is properly issued; that the appraisal certificate of the loan committee or appraiser is on file; that the insurance is on hand, properly assigned and in force, and that the mortgage is not in excess of the legal ratio; in other words, that the papers are complete, and the complete papers of every mortgage loan consist of (a) the mortgage—(b) the bond*—(c) the application for the loan—(d) the fire insurance—(e) the search or title policy—(f) the certificate of valuation or appraisal, which is usually embodied in the application; (g) survey. The mortgage must be recorded.

Of course, the *value* of a mortgage loan can only be ascertained by a physical inspection of the property itself by one qualified to judge of its condition and to pass opinion thereon. This naturally falls to the lot of the trustees or appraiser and should be done at intervals of about three years, the results of which should be reported to the board

*With endorsements of partial payments on principal.

with recommendations as to the desirability of reducing the loan, or calling it, with the alternative of replacing the property in its former condition. The borrower can be depended upon to verify the *amount* of his mortgage, and in their interest notices some banks have this provision—a very good one.

The furniture and fixture account should be carefully examined, as well as the real estate holdings of the bank for banking purposes, to see that the values are conservative. Other real estate owned by the bank should be examined to see that the deeds are properly recorded; taxes paid, and the property insured in the name of the bank.

Balances due from other banks should be verified at first hand. The proof of income should be examined to see that the bank really gets what it has earned. If certificates of deposit are issued, these should be examined to see that the old certificates are canceled when new ones are issued, and that partial payments on the same are properly recorded on the stub. The minute book should be examined to see that the minutes are properly kept and that all matters that should be reported to the board are brought to their attention.

The cash, security, and loan vaults are usually sealed when examination is begun, so that all the money and securities are under the control of the auditor until verified, thus preventing substitution of securities or cash.

The general administration of the bank may be tested by answers to the following questions: Are loans made to the officers and employees, and if so, under what restrictions and to what extent? Are the officers deceiving themselves by carrying securities at more than their market values, thus showing inflated resources? Are the officers and employees under sufficient bonds? Are the trustees' meetings well attended? Are the proceedings kept in a creditable manner? Are the disbursements properly vouchered? Does the expense account actually reflect the salaries and other expenses? It is an axiom of accounting that for every disbursement there shall be a proper voucher, and for all expenditures on expense account for repairs, taxes, and like expenses, there must be a receipt on file in the same amount as appears upon the expense book. Has provision been made in the minutes for sudden help in the case of need, without the necessity for a special meeting? Is the bookkeeping system complete, com-

prehensive, and modern? Are the clerks changed about frequently? Is there a daily statement taken? Are the officers careful about small things, such as the filing of letters, pass-books, vouchers, endorsement on bonds, the insurance in force, indexing, etc.? Are chemical or knife erasures on the books frequent? Are loose leaf sheets and cards properly guarded against manipulation? Lastly, is the whole bank under the control of one man, or is the responsibility properly divided and the work really conducted by the board of managers to whom the management of the bank properly belongs?

In counting cash in the teller's cage, it is well to keep this official present, so that in case any deficit occurs, it cannot be charged that the examiner has been implicated in any manner.

NOTICE—Interest will be due and payable May 1, 19—, on Mortgage No. 2345 — at the UNION DIME SAVINGS BANK, Fortieth St. and Sixth Ave., New York. <small>PROMPT PAYMENT IS EXPECTED Receipted Tax-bill for last year to be exhibited unless already done.</small> Principal, \$ 49,000. Rate, <u>5 %</u> . Time, 6 months. \$ 1,000.	
Please SIGN BELOW and Return with payment. <i>New York.</i> <i>To the Treasurer of the UNION DIME SAVINGS BANK.</i> <i>Sir: Herewith I deliver to you in payment of above Interest,</i> <i>One Thousand ----- Dollars,</i> <i>in Check on <u>Fairchild Natl Bank</u> ----- Please acknowledge receipt.</i> <i>Signature <u>H. C. [initials]</u></i> <i>Address <u>88 E 93 St</u></i> <i>R L M D.</i>	

NOTICE OF INTEREST COMING DUE.
 PROVISION FOR VERIFYING PRINCIPAL

Misappropriation of bonds and other securities can easily be prevented by having such securities registered, or by having them under two combinations, the former being preferable. To transfer such a security usually requires a resolution of the board of trustees and a certified copy of the same, together with a copy of the by-laws pertaining to such a transaction.

It is as essential to determine whether the teller has accounted for all the money he has receipted for as it is to verify the actual cash on hand. In most of the transactions with depositors, the owner of the book may be depended upon to verify the correctness of the entry in his pass book, but he cannot verify the fact that the teller has turned over to the bank the amount which he has credited upon the pass book.

Theft of money is usually hidden, first, by substituting fictitious cash items; this can only be prevented by prohibiting the holding of anything as cash but cash itself. Secondly, by charging accounts with amounts which have been abstracted under the names of depositors and charged to their account, and, in appearance, received for by the depositor; this of course is rather risky, but an old idea. As far back as 1820 in England, gross frauds crept into the savings bank management by this process. The famous Cuff Street fraud and the wreck of the Rochdale Savings Bank was accomplished by the embezzler taking what money he wanted and charging it up to depositors, being careful of course to select inactive accounts, which would not be likely to be called for. As a preventative of this process, it is the custom in some places to investigate at stated intervals the large withdrawals, especially closed accounts, to ascertain if they have been properly received for and the pass book has been surrendered. Of course, the verification of the pass books themselves in any great quantity would uncover any such practice. The third method is, as above suggested, withholding receipts both of deposits on pass book accounts, payments of interest, payments of principal on mortgage loans and bonds, and lastly, might be stated, the manipulation of bank balances. This is exceedingly risky and cannot be carried on with success very long if the balances are properly verified.

Turning to the liabilities, the audit should show just how much the bank owes, not on its own books, but by the pass books which are outstanding. This may be done by calling in the pass books by advertisement, personal letters, and notice upon the cover of the pass book to present at stated intervals for the entry of interest and comparison of balances. Where the auditor is in attendance for a few weeks at each interest period, in the course of a few years enough books can be verified to prove the general correctness of the entries therein; but to call in the books without an apparent reason is to invite suspicion on the part of the depositors that all is not well, and is apt to lead to misunderstanding if not more serious results. This is accomplished in Massachusetts and other New England States in an admirable manner by a provision of the law which requires periodical verifications. This work is done every

three years, at stated times, and extends over a period of from three to nine months. The call is extensively advertised in the press. Banks have been known to verify as high as 95 per cent. of their pass books during a single audit. It is obvious that in such a plan a more or less complete verification of pass books can be made in the course of a few years. Some duplications, of course, enter into the process, but the test is comprehensive enough to be of great value.

These verifications of course should be made by an outside party if possible, and certainly by a clerk who has no connection with the handling of the funds; otherwise, the end is defeated.*

PROOF OF INCOME.

The withholding on the part of the collecting officers of receipts from interest on bonds and mortgages and upon investments can easily be detected by a proof of income, which aims to check the earnings of the bank.

It is eminently desirable that the bank officials should know that the bank has received what it has earned; and to determine this it must first know accurately what its earnings have been, or, rather, will be, for it is an anticipatory process. Many large banks are now giving careful attention to the matter of proof of income, with very great satisfaction.

For auditing purposes the income of a bank should be calculated ahead, that is to say, for the period to elapse until the next dividend is declared. This calculation cannot be made accurately by banks doing a commercial business, but where the business is of a purely savings bank character and therefore permanent, this feature can be handled with considerable degree of accuracy. The income may be calculated on each investment, or class of investments and the receipt thereof ascertained through the cash book. The Committee on Savings Bank Methods and Systems of the Savings Bank Section, American Bankers Association, gives this as an example: Suppose a bank declares dividends every six months, as of January and July 1. On the first of January an account is opened, debiting it with the income from all investments, bonds,

*For Complete details of these audits see reports of Bank Commissioner of Massachusetts.

mortgages, etc., due for the current six months. When this income is received, the account is credited with each payment so received. Thus on June 30, if the income has all been received, the account will be closed out; any odd amount of income received during the six months may be easily adjusted. The calculations should be made by the head bookkeeper or auditor and checked by an officer.

TRUSTEES' AUDITS.

The periodical examination by the trustees is quite universal, and the general requirements may be well summed up briefly by reference to the laws of a few of the leading States. Thus, in Indiana, not less than three trustees on or about January first must examine into the securities, loans, cash on hand, and other details of the bank's operations and report to the board, and the report to the department is based upon this examination. Connecticut requires that two auditors, *who are not members of the board*, shall be appointed yearly to make the examination on October first; these auditors report to the Bank Commissioner. New Jersey requires that three examiners, on or before December 31, shall examine into the condition of the bank, while New York requires that semi-annually, on or before June 30 and December 31, three trustees shall examine the cash, securities, mortgages, and balances due from other banks, and the report to the bank department is based upon their examination. Maine requires a yearly examination by two trustees. New Hampshire requires an independent examination every six months. In Minnesota, on or before February first, a thorough examination by an experienced accountant must be made; he must submit a written report attested by two of the principal officers, and the statement of assets verified by two trustees and the person making the examination. Massachusetts requires what is perhaps the most exhaustive of all savings bank examinations. It was found that the old law which divided the responsibility between the auditing committee and the bank resulted in a lack of thoroughness, therefore a change in the law was made, so that the responsibility for the audit has been placed upon the bank department itself, although the audit is made by a certified public accountant, who may be selected by the auditing committee, but who must first be approved by

the Commissioner. The accountant is required to personally supervise the making of this examination, except that with the consent of the Commissioner he may verify trial balances if made within six months. In accordance with these ideas, the bank department has prepared what it concedes to be the minimum requirements for an audit, which must be complied with by the public accountant, and copy of his report must be filed with the bank department and with the bank. The department a few years ago verified every mortgage loan in Massachusetts made to a savings bank, by direct communication with the borrower.

A MECHANICAL AUDITOR.

It is always more difficult to prevent embezzlement on the part of a receiving agent than of a disbursing agent, because the latter is compelled to produce a voucher for each expenditure; but unless guarded in some other way the receiver may withhold or destroy the evidence of his having received. There are two classes of methods employed in preventing this in moneyed institutions; one is that which makes another employee cognizant of his doings; and another, that which makes it known to the public. It is manifest that there is no absolute security in the former method. If you multiply the number of hands through which the transaction passes, you somewhat diminish the probability of fraud, but there is always the possibility of collusion; but collusion with the chance public, whose interests are directly opposite, is impossible. Therefore the writer considers that the only security against embezzlement lies in making the acts of a receiving agent to some extent public, as the bell punch does on the horse-car.*

In order to have a complete check on the receipts of the institution, the Union Dime Savings Bank of New York had made for its own use four mechanical tellers,† somewhat similar to an adding machine, the operation of which is as follows:

The object is to insure that the amounts entered in the pass books shall be identical with those entered in the books of the banks in amount and in total. Embezzlement

*Bolles' Practical Banking, p. 280.

†Machines which do this work are now manufactured by the National Cash Register Co., Dayton, Ohio, and are described in chapter XV.

in savings banks is almost invariably accomplished by entering in the pass book a correct amount, but accounting to the bank for only a part or none.

The mechanism in question prints the amount of the transaction, with date, in the pass book; and simultaneously prints on a tape within the machine the same amount without a possibility of variation, and also the number of the account. As an additional safeguard it displays, through glass, a total register increasing at each transaction. The total indicated by this register, minus the total at the beginning of the day, represents the day's transactions. For this amount the teller is responsible and he is charged therewith in triplicate: 1. the debit entry in the pass book which the depositor may be trusted to verify: 2. the entries on the tape, which when cut out and pasted in a book, forms a journal of the amounts to be credited each depositor's account; 3. by the total over which the teller has no control and which must be corroborated by the bookkeeper's work.

Thus, without the loss of a second's time, a mechanical check is imposed upon the teller's accuracy and honesty, and that by an inanimate machine incapable of corruption or conspiracy. All methods wherein a second clerk is brought in to check the work by comparison, re-recording or otherwise are subject to two defects, loss of time and the possibility of collusion.

The time occupied is less than where the entry is made in extenso with the pen, and this time may be diminished by one-half, when in very busy times, teams of two work together, one handling the money and the other manipulating the machine.

Although the machines, being the first in use, were expensive, they have probably paid ten per cent. per annum on the cost. But this is not the most important advantage; the security from fraud and error and the ability to know the exact total of liabilities is worth far more.

THE SCHENECTADY IDEA.

What is doubtless the most unique, if not the most complete and comprehensive audit of a savings bank ever devised, has been used by the Schenectady Savings Bank, followed by a few banks in other parts of the country.

The idea is to make the audit automatic, and every depositor and every borrower an auditor. The medium is the newspaper. For months in advance notice is given that on a certain day, the pass book *number* and correct balance of every account in the bank will be published, and depositors are asked to check their balance as it appears on their books with this published list. The difference, if any, is the accrued interest. Likewise, every mortgage loan, by number, amount, and interest rate is given, and borrowers invited to verify the amount due thereon. These two important features are supplemented by a complete list of the securities in detail, and such other matter as may be pertinent to the occasion.

This is no small task, inasmuch as no account must be omitted, or listed in error, either as to number or amount, and great care must be taken that it is accurate. The results have been eminently satisfactory, the papers being in wide demand on the day when this feature appears. The same matter is issued in pamphlet form and sent out by mail, so that every depositor is sure to receive a copy. The work is quite voluminous, occupying at least ten pages of newspaper space, and is rather costly; but the end has justified the means, and the scheme has had several trials during recent years. It is not only good auditing, but good advertising as well.*

*By reason of the rapid growth of this institution the publication of balances has not been made since 1922. The idea still is favorably regarded by the officials as practical and effective.

CHAPTER XXVIII

BANKING THROUGH THE MAILS

Banking by mail and banking through the mails are somewhat different. The one may be a feature of the business; the other only an incident. At one time there were several banks in the Middle West featuring banking by mail, and which carried extensive advertising in the newspapers and magazines. This was during the period when the pre-

USE THIS FORM IN REQUESTING THE BANK TO SEND MONEY BY MAIL OR EXPRESS.		
This Draft cannot be paid if presented without the Pass-Book		
(See information on the back hereof.)	Dated <u>July 6</u>	Book No. <u>10990</u>
THE UNION SAVINGS BANK, Patchogue, N. Y.		
Please send at my expense and risk, \$ <u>50.00</u>		
<u>Fifty</u> Dollars		
(On the line above write plainly IN WORDS, the amount you want; or if you wish to close the account, write on the above line, "The amount in full, principal and interest." State how you prefer having the amount sent, by striking out part of the two lines below, leaving the instructions you wish the bank to follow.)		
Send Cash.—Send Check payable to <u>myself</u>		
By Express.—By Registered Letter.—By Ordinary Mail.—By Bearer.		
And charge to account of (Signature must be written by the Depositor) <u>Samuel Longisland</u>		
If the account is in trust, the order must be signed by the trustee, with the words "in trust" after the signature.		
Address <u>Setauket L. I.</u>		
A check by ordinary mail is the quickest, and a safe way to have funds sent.		
FORM 6—9-25-06 [OVER]		

WITHDRAWAL BLANK FOR USE IN MAIL BANKING.

vailing rate in the east was three and one-half per cent., while the western banks were offering four per cent. or higher. This country-wide banking appeal seems to have been largely discontinued during the past decade, although many of the old time banks are now giving attention to this feature of their service.

As a matter of fact, anyone wishing to save time and trouble, as well as expense, especially in dealing with large banks, where standing in line and waiting one's turn is in

<p><i>Note instructions on the back.</i></p> <p>The Passbook must be mailed with this order. This order will only be paid by mail, not to a messenger If a trustee account, add the word "trustee" after the signature</p> <p>DOLLAR SAVINGS BANK</p> <p>SEND ME BY MAIL AND CHARGE PASSBOOK NO <i>13.757</i></p> <p><i>Fifty</i> DOLLARS</p> <p>SHALL THE BANK SEND A CHECK OR BILLS?</p> <p><i>Bills</i> SEND SIGNATURE <i>Adolph Grunhaft</i></p> <p>PRESENT ADDRESS <i>96 E. 60 st. N.Y.</i></p>	
<p>To Withdraw Money.</p> <p>1st Fill out with pen and ink the blank spaces on the other side of this order</p> <p>2nd. Put this order, with a 2c stamp, in the passbook. (See below.)</p> <p>3rd Seal the passbook in its own envelope, put on a 2c stamp and mail it.</p> <p>Note.</p> <p>The Bank will send a check for the amount.</p> <p>If it would be difficult to get a check cashed, enclose 12c in postage and request the Bank to send bills in a registered letter.</p> <p>No responsibility is assumed by the Bank for safe delivery of bills sent thru the mail.</p>	

WITHDRAWAL ORDER BY MAIL.

order, would do well to look into the advantages of this "back door banking," as it were,—going in with the mail man and receiving prompt attention. A wealthy woman discovered the merits of mail banking, when after making a trip around among her depository banks twice yearly, which occupied two or three days' time, and was costly she was advised to simply sit down and write letters requesting the banks to forward her interest, order for which was enclosed, with book. Such a course probably cost two dollars in postage, and occupied two or three hours, but it was a vast saving, both of time and money, over the old method.

All banks have provision, more or less elaborate, for the handling of deposits and drafts through the mails. A de-

Form 16 10-26-07 9000

MAIL DEPARTMENT
REQUISITION FOR CHECK

In favor of *B. A. Fox*

Book Number *877.375*

\$ 372.50

A. G. Teller

REMITTANCE BLANK.

To THE HUDSON CITY SAVINGS INSTITUTION

Enclosed find check for \$10 which please credit to account No. *89.790* in name of *B.P. Bank* Pass Book sent herewith. Please return the book to the following address, and oblige

Very truly yours,

(Name) *J. H. White*

(Address) *Ped. Book* *N.Y.*

RETURN POSTAGE
SHOULD ALWAYS BE ENCLOSED

WITHDRAWAL BLANK.

THE PASS BOOK MUST
BE PRESENTED WITH THIS CHECK

TO THE HUDSON CITY SAVINGS INSTITUTION,
OF HUDSON, N. Y.

\$ *60.00*

Pay to *Dft. to my order* or bearer.

Sixty Dollars,

and charge my Pass Book No. *90.779* sent herewith.

SIGN HERE. *F. F. Remond*

Address. *Chatham*, *N.Y.*

RETURN POSTAGE
SHOULD ALWAYS BE ENCLOSED

FOR DEPOSIT BY MAIL**PASSBOOK NO. 26.789**

AMOUNT DEPOSITED, \$ 100.00

DEPOSITOR'S NAME

Phaebe Snow

PRESENT ADDRESS

900 D.L & M.R.R.

Cartland St. N.Y.

Note instructions on the back

To Deposit.

- 1st. Fill out all the blank spaces on the other side of this memorandum ticket.
- 2nd. Put this memorandum, with a 2c stamp and the deposit, in the passbook.
- 3rd. Seal the passbook in its own envelope, put on a 2c stamp and mail it

To send a Deposit, obtain:

- A check drawn on a New York City bank.
An Express Co. money order,
Or a Post Office money order
- Either of these should be made payable on its face to the Dollar Savings Bank
Or bills may be enclosed, in which case the letter had better be registered, at the extra cost of 8c.

Note.

The Bank assumes no responsibility for safe delivery of deposits sent thru the mail

DEPOSIT BY MAIL.

posit coming in the form of check, money order, or registered letter, may be turned over to the teller and put through as a regular transaction, and duly acknowledged by the correspondence clerk. If the business warrants, a separate account can be kept of such transactions and turned over to the teller in bulk.

In the matter of withdrawals, payment may be made in cash, by registered mail, or preferably by check to depositor's order. The usual order received is a letter asking for funds and if this is couched in terms that constitute an order on the bank, it is usually honored, the letter being filed as an order,

or it may be filed among the letters and "memorandum draft" properly filled out by an officer and initialed, filed among the vouchers. This would go through the books as a cash payment, if cash were sent, or as payment to depositor by check over the counter if draft were issued. And as in the matter

BANKING BY MAIL
<p>If it is not convenient for you to call at the bank, you can have the benefit of the security and profit which would be afforded by doing your banking by mail, by opening an account in the Monroe County Savings Bank, 35 State St., Rochester, N.Y.</p> <p>Thousands of people are now doing their banking by mail with perfect safety. The U. S. Mail, with its free city and rural delivery, brings the strong, liberal savings bank to the very door of every person no matter where they are.</p> <p>The records of this bank prove that the mails are safe and that you run practically no risk in doing your banking this way.</p>
HOW TO DEPOSIT
<p>Sign your name in full on the red line of the enclosed Identification Card, answer all questions thereon, and send it with your first deposit.</p> <p>You can send money by registered letter, post-office or express money order, or draft on New York.</p> <p>As soon as your first deposit reaches us, your name and amount of your deposit will be entered on our books, and we will send you a pass book with similar entries. In making other deposits always send the pass book enclosing a letter giving name and address in full.</p>
DRAWING MONEY
<p>You can withdraw money by mail just as easily as though you visited the bank.</p> <p>Your signature to a blank, which we will send you to fill out is all the identification necessary. We will send you a draft on New York for the amount you wish to draw, upon receipt of pass-book and cheque properly signed. Sign your full name on letter enclosing book and cheque, giving P. O. address, for return of the remittance. If you draw through another Bank, mail your pass book to this bank to meet your check.</p> <p>When forwarding pass book to the Bank always enclose a letter stating nature of your business, and give name and address in full.</p>

INSTRUCTIONS FOR BANKING BY MAIL.

of deposits, where this becomes a common occurrence, proper withdrawal blanks could be furnished the depositor with information and instructions, so that delay and annoyance would be eliminated. In treating of withdrawals many good forms were shown, with full instructions. Those shown herewith, are both in good arrangement.

Inasmuch as all such transactions cost money for postage, it is in some banks, the custom to ask the depositor to defray the expense, either by request for stamps, instructions to inclose postage, or by deducting the same from the remittance. In the matter of remittance in currency,

where the letter is registered, the registry fee would be added to the amount of the draft, the remittance taken out

Form 32 000 1247 MEMORANDUM DRAFT

No 101776

BOOK KEEPER	THE BOWERY SAVINGS BANK,		
	Check, ✓	Cost of Money Order	\$ 10
	Cash, ✓	Cost of Registration	0 8
	Re-deposit		
	Balance, Interest	Total, \$ 10.08	
DRAFT CLERK	Depositor	<i>THE BOWERY SAVINGS BANK</i>	
		<i>H. H. Allen</i>	
		See letter date July 1, 19	
		Countersigned by <i>Jones</i>	

MEMORANDUM DRAFT FOR USE IN MAIL BANKING.

In keeping with your order for \$ 25.00 received this day we enclose the amount in cash and to cover the expense of registering by mail we have added 10c to the order, which increased amount is entered in your pass-book

MEMORANDUM OF ADDITIONAL CHARGE ON ACCOUNT OF POSTAGE

of the teller's cash and the fee placed in the stamp drawer; but if a draft were sent, this would mean a charge to the depositor, say, \$100.10, and a credit to depository bank of but \$100, and ten cents would have to come out of the cash. Likewise, in closing accounts, say one for \$100, and remitted for, less the charges, the same procedure would be required.

CHAPTER XXIX

THE ACCOUNTS OF DECEASED PERSONS

In the conduct of a savings bank, we are bound to take cognizance of two facts: First, the depositors lose their pass books; second, they die. And both are the cause of no little annoyance and concern to the bank officials. The matter of lost books is treated at length in another chapter, and we confine ourselves to the accounts of those who have lived and saved and gone to their reward, leaving a deposit in a savings bank. How important are the rules that the banks make in regard to this feature of their business may be seen from the fact that upwards of 25,000 savings bank depositors die in New York State every year.

The usual contract between the savings bank and its depositors is that the money will be repaid to the owner in person, with the pass book, or on his order, or to his duly appointed attorney, and at death to his legal representative. Where the depositor leaves other property, and administration is necessary, or where a will is made, it is not a difficult matter, as the only course open is to require letters of administration or executorship, duly authenticated, and proper identification, together with the possession and surrender of the pass book. In New York, however, the consent and release of the State Tax Commission is also necessary. But where the depositor is in moderate circumstances, as is often the case, and the savings bank account and a few personal belongings constitute the entire estate, to require administration would work manifest hardship upon the relatives and add expense to an already overburdened household. The expense attending the issue of letters of administration depends upon the locality and the attorney fees. In some parts of New York State, for instance, letters may be obtained without the aid of a regular attorney at a nominal cost on small estates, while some attorneys will do such work for a very moderate fee.

It is, of course, no fault of the bank that the money cannot be paid without delay, for the bank stands ready

to pay upon presentation of the proper authority to receive, but the inability to determine *who is the proper party to give receipt* causes all the annoyance attending these transactions. To avoid, therefore, the appearance of playing the role of oppressor, and to make the ceremony as simple and as efficient as possible, a custom has grown up among savings banks that is worthy of notice in this regard. It is now the common rule to pay the accounts of deceased persons, where the amount involved is small (usually under \$250) to the nearest relative, upon establishing satisfactory proofs, and usually with the provision that it shall be applied to the funeral expenses. Frequently the undertaker's receipt is required also.*

THE LAW.

Before seeking to justify this practise, or even to explain it, let us inquire for a moment into the legal status of the burial expenses of a deceased person. Let it be clearly understood at the beginning that in no case where *other estate has been left*, or *where a will has been made*, or *regular administrator appointed*, should moneys be paid without requiring letters of authority. But where the parties and the circumstances are known to the bank, or well authenticated, the risk is practically nil.

It is an accepted principle of law that the expenses of suitable interment of a decedent's remains have priority over every other claim against the estate; indeed, the statute provides that the representative shall not be allowed for the payment of any other claims or debts upon his accounting until the funeral charges are paid. * * By whomsoever the duty is performed, the estate of the deceased is ultimately liable to defray the necessary *reasonable* expenses of the burial. * * It seems to be settled that the reasonable and necessary expenses of interring the body of a decedent are a charge against his estate, though not strictly a debt due from him. * * Formerly one having a claim for funeral expenses was not considered a creditor of the estate and could not enforce payment in the Surrogate's Court. But the former distinction no longer obtains, and he now is given a remedy for the collection of his claim against the representative directly. The statute

*For the New York law in this respect see page 450.

provides that every executor or administrator shall pay *out of the first moneys received* the reasonable funeral expenses of the decedent, and the same shall be preferred to all debts and claims against the deceased. If the same is not paid within sixty days of the grant of letters testamentary or administration, the person having claim for such funeral expenses may present the same to the Surrogate's Court with a duly certified petition praying that the admin-

\$.....

Treasurer of the Albany County Savings Bank,

Pay to the order of.....**UNDERTAKER**,
on account of the **FUNERAL EXPENSES** of.....
.....who died at.....
on the.....day of....., the sum of
.....dollars, on the account
of the said deceased, as per.....accompanying Pass-book. No.....
which is hereby surrendered.

In presence of.....
.....of the said
.....deceased.

NOTE.—This form of draft is to be used only in cases where the amount at the credit of a deceased person does not exceed \$100, and is to be signed by the nearest surviving relative.

ORDER FOR PAYMENT TO UNDERTAKER ON DECEASED PERSON'S ACCOUNT.

istrator or the executor may be cited to show cause why he should not be required to make such payment, etc. (New York Code Civil Procedure, § 2729 Sec. 3.) In respect to the reasonableness of the expenses they must be in keeping with the standing and station in life of the deceased. The amount of the funeral expenses that will be deemed reasonable or necessary for suitable burial of a decedent must be considered generally with respect to his degree or quality.

But as against creditors, the amount of his estate is also to be considered. As respects those who are entitled to the estate, as legatees or next of kin, the executor or administrator, while he is not justified in an extravagant outlay, is not restricted to the bare necessities of the case as he is where the rights of creditors intervene. And as to the expenses incident to the death of the party, "The expense of a special messenger to the family of the decedent, to inform them of his decease, may be allowed, where he dies abroad, and such prompt communication is necessary for the security of the estate, for the burial, and to avoid expenses of delay. So, the expense of accompanying the body, and of a copy of the verdict of the coroner's jury, if such copy be necessary to the burial. In some of the States, though not in this (New York), the expenses of the decedent's last sickness are given a preference, with the funeral charges. Mourning for the family of the testator is not a funeral charge, strictly speaking, although charges therefor have been allowed in some of the States and in two cases allowed here." Selected from "The Law and Practice of Surrogate's Courts in New York," Redfield, pp. 435-440.

In Patterson vs. Patterson 59 N. Y. 574, the court said: "The duty of giving decent burial to a deceased testator who leaves some estate devolves upon the executor. The necessary and reasonable expenses thereof are a charge upon the estate and have a preference over all other debts against it, as part of the expenses of the trust. And the law implies a promise on the part of the executor to pay one who in absence or neglect of the executor from the necessities of the case, incurs and pays such expenses."

The only case to legally determine this point that has yet come to the author's notice is that of Schofield against the East Brooklyn Savings Bank, tried April 6th, 1911, in the Municipal Court of New York. The facts, briefly stated, were as follows: The bank having an account of \$115.60 belonging to a deceased depositor, paid over the same to the undertaker, taking his receipt and assignment, which amount was barely sufficient to pay the cost of burial. Subsequently a will turned up and the executor sued the bank for the money. The bank won its case under the rules above given, the attorneys for the bank citing Redfield as above quoted, together with Section 2729 of the Code.

INDIVIDUAL ACCOUNT
DEPOSIT \$500. OR LESS

WITHDRAWAL.

State of New York, }
County of } ss

..... being duly sworn,
says that..... resides at.....

..... and was acquainted with..... the depositor
named in bank book No..... of THE GREENWICH SAVINGS
BANK, and is the..... of the said depositor. That
the said depositor died on..... at.....

..... being the same person described in the attached certificate or transcript
of death record, leaving surviving as next of kin
.....

..... leaving no will, and leaving an estate not exceeding in value the sum
of \$....., the principal part of such estate being the
account above referred to amounting to \$..... as deponent
is informed and believes; that no letters of administration
have been granted in any State, or by any court or tribunal, upon
the personal estate of the said deceased depositor, and that
..... estate is so small that no application for such
letters is intended or needed; that the said depositor left no debts of
any considerable amount, except the funeral expenses amounting to
\$..... due..... undertaker, and other expenses of last illness amounting to about \$.....
and that deponent desires to withdraw the money in said account
to apply to }
to reimburse deponent for } the payment of the funeral and other
indebtedness of said depositor, as above recited, amounting in all to
about \$.....

That no person other than deponent has or makes claim to said
money.

Sworn to before me this
..... day of..... 19....

Payment approved,

..... Pres't.

..... Treas.

THE ACCOUNTS OF DECEASED PERSONS

ACCOUNTS OF DECEASED PERSONS WHERE THE BAL IS SMALL.

As a general rule savings banks in New York willing to waive their legal rights in cases where amount on deposit represents practically the entire estate and endeavor to make the withdrawal of the fund as and expeditious as possible.

The general custom followed in the majority of cases is to first become satisfied that no other estate is involved and to pay upon signature of the next of kin or a minor heir, usually drawing the check to the undertaker bank taking an assignment of his claim. If the amount is insignificant, say under \$25, payment is often made upon receipt of the next of kin or heirs. Accounts of children are often paid to the parent. The amount which will be paid varies upon such conditions greatly. Banks generally consider each case on its merits and guide themselves accordingly. An *Affidavit* is often taken that no other estate is left after debts remain unpaid. A *Bond* of heirs or undertakers is sometimes taken as an extra precaution.

The procedure in one bank is indicative of the general custom: (1) Assurance that there is no other estate; (2) Affidavits of claimants and waiver of relatives; (3) (4) Assignment signed by relatives to order of undertaker (sometimes including the doctor) who file duplicate bills, received, and paid to the bank; (4) Assignment of claims to the bank; (5) Death certificate. Justification for the above is found in Section 2729 of the Code of Civil Procedure, all of which is quoted.

In the application to draw, without administration, the money of deceased persons deposited in THE GREENWICH SAVINGS BANK, New York, the following questions must be answered:

In the application to draw, without administration, the money of deceased persons deposited in THE GREENWICH SAVINGS BANK, New York, the following questions must be answered:

Did you know the said
and how long have you known him?
.....

Were you related to, or connected by marriage with him, and how?
.....

DOLLAR SAVINGS BANK OF THE CITY OF NEW YORK

THIRD AVENUE AND 148TH STREET.
NEW YORK.

For the withdrawal of funds standing in the name of a deceased depositor, if the estate of the deceased is small, payment may be made by the Bank as follows:

1. The burial of the deceased must be completed and the undertaker's bill made out in full, *but not paid*.
2. The nearest heir-at-law, or relative, should call at the Bank bringing the pass book and the undertaker's bill, make affidavit of death and request payment of the decedent's account to the undertaker, also sign an order on the Bank in favor of the undertaker. Blank forms are furnished by the bank.
3. If there are other near heirs or relatives, their signatures are required to the affidavit and request, and should be obtained by the depositor.
4. After all the signatures to the affidavit and request are obtained, the deponent and undertaker should call together at the Bank, or the undertaker may come alone, bringing the pass book, affidavit, undertaker's bill and order, when the account will be closed and the money paid to the undertaker to be receipted on his bill.

State how you know the facts herein stated by you.

.....
.....
.....

State how you know or believe the said person to be the same person who is named in said Bank Book as the depositor.

.....
.....
.....

Has the said died? When and where did he die?

.....

Where did he reside at his death

.....

Did he leave any Will? What effort has been made to ascertain if he left a Will?

.....
.....

Have Letters of Administration upon his estate been granted by any authority in any State or County?

.....
.....

Did he leave any real estate; if so, what, and where and what was its value?

.....
.....

What amount of personal property did he leave, and if so, of what does it consist?

.....
.....

Was he indebted, and in what amount?

.....
.....

Has such indebtedness been paid?

.....

Have his funeral expenses been paid? If so, to whom, when and to what amount?

.....
.....

(If the decedent left no descendants). Did he leave any father? If so, state his name and residence.

.....
.....

(If the decedent left no descendant or father). Did he leave any mother, brother, sister, or children of a deceased brother or sister? If so, state their names and residences, and who of them are under twenty-one years of age.

.....
.....

(If the decedent left no widow, descendant, parent, brother, sister, nephew or niece). Did he leave any great-nephews or great-nieces? If so, state their names, ages and residences.

.....
.....

(If the decedent left no widow, or any of the relatives above named). State the names and residences of all the relatives of the decedent who are of an equal degree of relationship to him.

.....
.....

Has a guardian been appointed by any authority, or in any state or county for any of the persons above mentioned who are under twenty-one years of age?

.....
.....

Did he leave any widow or husband? State the name and residence of him or her.

.....
.....

Did he leave any children, and any descendants of deceased children? If so, state their names, the ages of those under twenty-one years of age, and their residences.

.....
.....

DEATH OF DEPOSITOR IN SINGLE NAME ACCOUNT.

The custom in practically all banks in New York State in cases of death of depositor in *single-name account*, is to pay the legal representative upon due proof of death, which may either consist of death certificate or other acceptable proofs, together with authority to receive payment (letters of administration or executorship) with waiver from State Tax Commission.

In small places where death is a matter of common knowledge, the death certificate is not often required, the surrogate's certificate being generally held to be sufficient proof, as is frequently the case in banks in large cities.

As elsewhere stated, in cases involving amounts too small to warrant administration, the common custom is to pay the undertaker or nearest relative, upon proof that no other estate is left, and under safeguards to be found above.

DEATH OF PARTIES TO JOINT ACCOUNT

A majority of the banks pay the survivor in joint account, upon proof of death of the co-depositor, with waiver of the State Tax Commission.

Many banks pay to the estate of the last deceased in cases of death of *both* parties in joint account. Proof of death of both is required to determine priority of death, together with the usual letters testamentary or of administration, with waiver. The rule in New York would seem to be, to pay to estate of last deceased upon determination as to priority of death and certificate of authority to receive payment and release from the State Tax Commission.

DEATH OF TRUSTEE IN TRUST ACCOUNT.

Savings banks in New York quite generally seem to recognize the fact that trust accounts in these institutions are usually self-constituted trusts, and at the death of the trustee the fund should go to the beneficiary. Many banks have special forms for opening trust accounts, and stamp an agreement to this effect upon the pass book. This is in keeping with the rule in the Totten Case (177 N. Y., 112) and Banking Law of New York.

A majority of banks pay to the beneficiary upon proof of death of the trustee, which proof usually consists of the death certificate, or other acceptable evidence, identification of the beneficiary, and Tax Commission's waiver. Some banks require proof of relationship, or proof that the funds belong to the beneficiary.

DEATH OF BENEFICIARY BEFORE TRUSTEE.

The general rule, where beneficiary dies before the trustee, is to make payment to the *trustee*, under the rule that the trust is a tentative one and the trustee has sole control during life, and the death of the beneficiary does not alter the status of the account or the right of the trustee to withdraw at will.

DEATH OF BOTH PARTIES TO TRUST ACCOUNT.

Over thirty per cent. of the banks in New York pay to the legal representative of the *last* deceased where *both parties to a trust account* are dead, depending upon the proofs of death to determine priority of death, accompanied by letters testamentary or of administration, and waiver.

ACCOUNTS OF DECEASED PERSONS IN OTHER STATES.

Banks in New York do not, as a rule, pay upon letters issued in other jurisdictions, the common custom being to require ancillary letters where the amount involved is of any considerable size. Some banks, however, accept foreign letters upon certificate to the effect that no letters have been issued or applied for in New York. A few banks honor

DOLLAR SAVINGS BANK OF THE CITY OF NEW YORK

THIRD AVENUE AND 148TH STREET.
NEW YORK.

For the withdrawal of funds standing in the name of a deceased depositor, if Letters Testamentary or of Administration are granted in this state, the following documents will be required:

1. The pass book.
2. Certificate of recent date from the Clerk of the Surrogate Court, showing the appointment of the Executor or Administrator.
3. Waiver to claim for Transfer Tax from the State Controller in Albany or his receipt for the tax. The Waiver may be, and usually is, obtained from the Attorney for the State Controller, Mr. John S. Jenkins, 165 Broadway, New York.
4. Receipt for balance of the decedent's account signed at the Bank by the Executor or Administrator; or the amount may be collected thru a Bank by a draft, signed by the Executor or Administrator as such, if the signature is guaranteed by the Collecting Bank.

Letters Testamentary or of Administration granted in another State or in a Foreign Country are of no force in New York. In such cases Ancillary Letters of Administration should be obtained, and a certificate of such presented to the Bank instead of the second item above.

Or, should it be impracticable to obtain Ancillary Letters as above, the Bank may accept the following:

1. The pass book.
2. Certificate, as above.
3. Waiver, as above.
4. Assignment of Claim for balance of decedent's account by the Executor or Administrator (signed as such) to a resident of the State of New York, acknowledged before a Notary, with the County Clerk's certificate of the Notary's signature, or acknowledged before a United States Consul.
5. Receipt at the Bank from Assignee, or the amount may be collected thru a Bank by a draft (signed as Assignee), if the signature is guaranteed by the Collecting Bank.

Note. In case of Letters of Administration, all the administrators named are required to sign.

Executors, Administrators or Assignees should be identified at the Bank, or payment will only be made by check.

Letters issued in near-by states, while others accept foreign letters if accompanied by waiver. Bond of indemnity is frequently required to guard against the risk attending the payment under foreign letters.

The procedure in cases not coming under the above general rules may be stated as follows:

One of our largest banks only requires ancillary letters in cases where they are issued in a foreign country. Another, if the amount is small and no domestic debts are left, honors the foreign letters; in large amounts ancillary letters are required.

A frequent custom is to honor assignment to a citizen of New York, accompanied by waiver, sometimes requiring in addition the death certificate, certificate showing that no letters have been granted or applied for in New York, and the draft signed by both the legal representatives and the assignee. Quite commonly, in cases where the amount is small, the foreign letters are honored.

The New York Law relative to joint and trust accounts is as follows:

"When any deposit shall be made by any person in trust or another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to such savings bank, in the event of the death of the trustee, the deposit or any part thereof, together with the dividends thereon, may be paid to the person for whom the deposit was made.

"When a deposit shall be made by any person in the name of such depositor and another person in form to be paid either or the survivor of them, such deposit and any addition thereto made, either of such persons after the making thereof shall become the property of such persons as joint tenants and the same together with all dividends thereon shall be held for the exclusive use of such persons and may be paid to either during the life-time of both or to the survivor after the death of one of them, and such payment and the receipt or acquittance of the one to whom such payment is made shall be valid and sufficient release and discharge to such saving bank for all payments made on account of such deposit prior to the receipt by such savings bank of notice in writing not to pay such deposit in accordance with the terms thereof. The making of the deposit in such form shall, in the absence of fraud or undue influence, be conclusive evidence, in any ac-

tion or proceeding to which either such savings bank or the surviving depositor is a party, of the intention of both depositors to vest title to such deposit and the additions thereto in such survivor."

THE NEW YORK RULE

The payment of balances where the savings account constitutes the only cash asset of an estate is now covered by statute in New York as follows:

"If any person shall die leaving in a savings bank an account on which the balance due him shall not exceed five hundred dollars, and no executor of his last will and testament or no administrator of his estate shall be appointed, the savings bank may in its discretion pay the balance of his account to his widow (or if the decedent was a married woman, to her surviving husband), next of kin, funeral director or other creditor who may appear to be entitled thereto. As a condition of such payment the savings bank may require proof by affidavit as to the parties in interest, the filing of proper waivers, the execution of a bond of indemnity, with sureties, by the person to whom the payment is to be made, and a proper receipt and acquittance for such payment. For any such payment made pursuant to this subdivision the savings bank shall not be held liable to the decedent's executor or administrator thereafter appointed, unless the payment shall have been made within one year after the decedent's death and an action to recover the amount shall have been commenced within one year after the date of payment."

CHAPTER XXX

LOST PASS BOOKS

No single feature of savings bank management is attended with more petty annoyance than the matter of lost pass books, unless it be the payment of balances due deceased depositors, where the amount is small and no other estate is left. And dealing, as it does, largely with the working classes, and those having inadequate facilities for keeping such things safely, lost, stolen and destroyed books are to be expected. Not wishing to put the depositor to undue annoyance and delay, and at the same time wishing to safeguard the bank against double payment, the problem resolves itself into finding an easy, yet safe, method for making such payments.

As a matter of fact and experience, the majority of the books *reported* lost are merely mislaid, and few are stolen or hopelessly lost. The depositor, anxious to avoid the delay and annoyance caused by the loss, is usually emphatic that it is a hopeless case, and cannot see that the bank runs any risk in paying him at once; but there are cases where the book was inadvertently burned, or destroyed in some way, when nothing is gained by delay except compliance with a custom. And where such is the case, the risk is nil. But where it is a case of theft or carelessness, risk no doubt attends such payment, and due care should be used. A peculiar case of a lost book occurred some years ago, when a bank book in the safe of a brick maker was carried out into the Hudson River by a landslide and buried under tons of clay. Recovery was, of course, impossible, and payment promptly made on bond, but after fifteen years, the safe was uncovered by the action of the tides and the book was found to be intact and still legible.

There are several cases in the New York courts that have arisen through lost and stolen books, one of the most peculiar of which was that of *People vs. Third Avenue Savings Bank* (*New York Savings Bank Cases*, p. 105). It seems that in selling a stack of hay on a farm of a convict

in Sing Sing prison, a bank book was found at the bottom in a piece of stovepipe. After the death of the convict the book was turned over to the administrator, and demand made upon the receiver of the bank for the dividend due. A book, an exact duplicate of the one found in the hay stack, was produced by the receiver, showing that the original had evidently been reported lost or stolen and a new book issued. Had not the receiver been able to show due care in payment, doubtless the case would have gone against him. The case of Schoenwald vs. Metropolitan Savings Bank (New York Savings Bank Cases, p. 49) arose from a stolen book, as did also that of Kenney vs. Harlem Savings Bank (New York Savings Bank Cases, p. 118) and Wall vs. Emigrant Industrial Savings Bank (New York Savings Bank Cases, p. 113).

THE LEGAL ASPECTS OF LOST BOOKS.

It is practically the universal rule to require immediate notice of loss or theft of a savings bank book, and most banks have this plainly stated on the cover of the book. And the depositor is very quick to do so; but, in cases of theft, such notice cannot, of course, be given with the same despatch as the loss in other ways. As a matter of law, such notice is required. Sullivan vs. Lewiston Savings Bank, 56 Me. 507; Donlan vs. Provident Savings Institution, 127 Mass. 183; Burrill vs. Dollar Savings Bank, 92 Pa. 134; Kelly vs. Emigrant Industrial Savings Bank, 2 Daly (N. Y.) 227. The reason for this rule is, that disregarding the rule, the depositor cannot recover anything if the bank should pay in good faith and with proper care; such care to be based upon the surrounding circumstances. Smith vs. Brooklyn Savings Bank, 101 N. Y. 58; Levy vs. Franklin Savings Bank, 117 Mass. 448; Goldrick vs. Bristol Co. Savings Bank, 123 Mass. 320. After giving the notice of loss, he can demand his deposit; though the bank is justified in requiring him to give, for its protection before paying, a bond of indemnity. Wall vs. Provident Savings Inst., 3 Allen (Mass.) 96 and 6 Allen 320; Mitchell vs. Home Savings Bank (New York Savings Bank Cases, p. 102). Such a requirement must be enforced reasonably, and it cannot be used as a means to confiscate one's property. A deposit, therefore, cannot be withheld

from a depositor who can prove the loss of his book, yet is unable to give the bond. *Wahrus vs. Bowery Savings Bank* (New York Savings Bank Cases, p. 101); *Wagner vs. Howard Sav. Inst.* 52 N. J. Law 225. To withhold payment from such a depositor would be "confiscation." And likewise, when the bank has known for many years of the loss of a depositor's book, it is justified in paying the deposit to his executor without requiring him to give bond of indemnity. *Mills vs. Albany Ex. Sav. Bank* (New York Savings Bank Cases, p. 104). Moreover, a depositor who is physically unable to give notice of loss on the day of its occurrence may still hold the bank liable should it immediately pay the deposit to a thief. *Wegner vs. Second Ward Savings Bank*, 76 Wis. 242.

Again, if a bank has no by-law requiring a depositor to give notice of the loss of his book, and it is stolen and presented with a forged order, and his deposit is paid to another, nevertheless the bank is still liable to him. The liability of the bank rests entirely upon contract. No question of negligence, either of plaintiff or of the bank officials, is involved. The contract was the ordinary one of debtor and creditor. *Ladd vs. Androscoggin Co. Savings Bank*, 96 Me. 520. (Bolles Modern Law of Banking, p. 648 and authorities cited.)

THE PROCEDURE.

Upon receipt of notice of lost books, the first step is, of course, to place a "stop payment" order against the account. Some banks file a card to this effect in the card signature cabinet; others make notation on the ledger, or both. The depositor must then be placed in position to obtain another book or the money upon proceedings satisfactory to the bank. In some States, as will be seen presently, this is a matter of law, but in others, as in New York, this matter is left to the individual banks.

The methods in vogue are three: Advertising, bond of indemnity, affidavit of loss. Some banks use but one of the three, others a combination, and still others all three. Where the amount is small, equity and justice demand a speedy, inexpensive procedure. The following section of the by-laws from a savings bank on Long Island covers this point without hardship or risk. "If a pass book is lost, the de-

[Form 84.]

OFFICE B, 26 S. FIFTEENTH ST. OFFICE C, YORK AND FRONT STS.

**THE WESTERN SAVING FUND SOCIETY
OF PHILADELPHIA
1000 WALNUT STREET**

O. STUART PATTERSON, PRESIDENT
ROBERT J. BRUNKER, ASSISTANT TREASURER

WILLIAM K. RAMBORGER, TREASURER AND SECRETARY
FREDERICK F. HALLOWELL, COMPTROLLER

Lost Book Indemnifying Receipt.

*Received, _____ of The Western
Saving Fund Society of Philadelphia, _____*

*balance of my deposit in bank book No. _____ which
has been lost or destroyed, and cannot be delivered to the said
Society, as the rules thereof require, and I hereby agree to
indemnify the said The Western Saving Fund Society of
Philadelphia from all loss by reason of such payment to me
without the said book.*

LOST BOOK INDEMNIFYING RECEIPT.

positor should immediately notify the bank, and if after a reasonable time the book is not found, and the balance thereon is not more than \$10, a receipt shall be taken for the balance, stating that the book is lost. If the balance

is more than \$10 and not over \$50, the depositor shall make affidavit as to the loss of the book and give a receipt for the balance. If the balance is more than \$50, the depositor shall execute to the bank a bond of indemnity for twice the amount of the balance with sureties to be approved by the officers.* In all cases of lost books the accounts shall be closed and the balances if not withdrawn shall be transferred to a new account under another number." Another: "If a savings bank book be accidentally lost or destroyed and the owner makes affidavit of that fact and of its circumstances, and gives a receipt for the money drawn on such account, such money will be paid unless the case be such as to afford reasonable ground of suspicion of fraud."

In most of the New England States the procedure is covered by law. Thus in New Hampshire:

"Whenever the deposit book of a depositor in a savings bank, savings department of a national bank or building and loan association is alleged to be lost or destroyed, and the depositor shall request such institution to issue to him a duplicate thereof, he shall, if such institution so requires, advertise such loss or destruction by publishing a notice thereof containing a description of such book by its date and number, together with the name of the institution which issued the same, three weeks successively in a newspaper published in the town where the institution is situated; or, if there is no newspaper published in such town, then in a newspaper published in the county where such savings institution is situated, and by posting a like notice at its place of business.

"If no other person shall make claim to such book or to the deposit thereunder within three months after such publication and notice the bank or association shall issue to the depositor a duplicate of such book which shall contain a complete statement of the depositor's account, and shall state that it is issued in lieu of the one alleged to have been lost or destroyed; and the bank or association shall not be liable thereafter on account of such original book.

"If any adverse claim shall be made to such original book or deposit before a duplicate book has been issued, or if the issue of a duplicate thereof shall be refused, such claimant or depositor may petition the superior court for relief, and such

*The custom of requiring bond of indemnity is rapidly dying out, and proper advertisement and affidavit are being substituted.

State of Conn. }
County of New London } ss.

P. P. Swane being duly sworn, doth depose
and say, I reside at 93 Elm St. Norwich

and I am a depositor in **THE NORWICH SAVINGS SOCIETY**, Norwich, Connecticut, having received from the said Society a book containing the amount of my deposit, and numbered 257862. That on or about the tenth day of October 19 the said book was lost on Main Street.

that I have made diligent search for said book and have been unable to find it, and that I am ignorant of the whereabouts of said book; that the same is out of my possession, beyond my control, and that the loss of said book was accidental.

I have not given, transferred nor assigned said book to any person or persons, nor have I given any person or persons a draft or other authority to draw on my said account, nor is said book pledged as security or otherwise.

P. P. Swane

Subscribed and sworn to before me
this 12 day of January 19

A. J. Lamy Notary Public.

AFFIDAVIT FOR LOST BOOK.

court may, after due notice and hearing, make such order as justice shall require."

In Connecticut: "When any pass book issued by a

savings bank or other institution for savings has been lost or destroyed, the person in whose name such book was issued, or his legal representatives, may make written application to the bank which issued such pass book for payment of the amount of the deposit represented by said book or for the issuance of a duplicate book therefor, and shall give public notice of such application by advertising the same at least once a week for *three weeks* successively in a newspaper published in the town in which such bank is located, or if no newspaper be published in said town, in a newspaper having a circulation in said town. If said book shall not be presented to said bank within *six months* after the date of the first advertisement, as aforesaid, said bank shall, upon proof that notice has been given as hereinbefore provided, pay the amount due on said book or issue a duplicate therefor, and upon such payment or delivery of a new book all liability of the bank on account of the original book shall terminate." Massachusetts and Maine statutes are similar except that the period is three months.

In many instances both advertising and indemnity bonds are required, as, for instance, in Pennsylvania: "If a depositor shall lose his or her pass book, immediate notice of the loss must be given, and a new book will be issued to the depositor upon satisfactory proof of identity, and after the depositor shall have advertised the loss of the book in one daily newspaper and after the depositor shall have given to the society *satisfactory indemnity* against any loss to the society in respect to the book so lost."

The notice usually states that book No. — is lost or stolen, that payment has been stopped, and calls upon all parties having claims against said book to present the same within a stipulated time, after which the old book will be declared extinguished and new book issued, or payment made. Other banks simply state that the book is lost and payment has been stopped, finder to return to the bank. It is usual to wait a certain length of time before making payment, or issuing new book (which amounts to the same thing), but the period of three and six months, as required in New Hampshire and Connecticut, respectively, would seem unnecessary and burdensome upon the depositor. Affidavit of loss is usually taken, in all instances as a matter of precaution, which is wise, as the average man would not perjure himself in such a small matter. An instance of the

AFFIDAVIT.

I, Mary Jane Second, do SOLEMNLY SWEAR that I am _____ the depositor and only lawful owner of Bank-book No. 109767, issued by the Union Dime Savings Bank on or about Feb 10, 1907. That I have not in any way disposed of said bank book, nor of my interest in the deposits therein; that said bank-book has been buried, and I am unable to produce the same.

AND, if the Union Dime Savings Bank shall transfer to another book, or shall pay to me or to my order \$ 127.50, the amount of said deposits; then I, the depositor, and I, Mary Jane Second, as surety, do jointly and severally agree to hold the Institution harmless from any claim thereon, and to repay to it any moneys which it may pay by reason of any such claim; and I, the surety, do solemnly swear that I am worth \$ 1000 in property not exempt from execution.

Mary Jane Second depositor.
Mary Jane Second Surety.

Sworn, subscribed, and acknowledged before me, this 10 day of January, by the depositor and by the surety.

J. Lauer Notary Public
City and County of New York.

New York.

Union Dime Savings Bank:

In pursuance of my affidavit on this paper, and in full payment and discharge of Bank-book No 109767, I hereby acknowledge receipt in manner stated below not stricken out, of One hundred twenty seven Dollars.

DOLLARS.	CENTS.
<u>127</u>	<u>50</u>

Transf. by M.J. Second.

Envelope. Sig. Correct.

Signature: M.J. Second
Present Address: 90 E 82 St.

6	3	0
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TRANSFER,

ON AFFIDAVIT OF LOSS OF BOOK.

DOLLARS.	CENTS.
<u>127</u>	<u>50</u>

Name of Depositor: M.J. Second Book No. 109767

Present Address: 90 E 82 St.

Date, Feb 10, 1907

Transf. from
<u>109767</u>
Interest from

6	3	0
---	---	---

latter came to the writer's notice some years ago. A depositor, wishing to draw money, was unable to obtain his book from his aged mother, who was safeguarding the property of a spendthrift. He claimed the old lady had inadvertently burned the book while putting coal on the fire. He was willing to pay the advertising fee (fifty cents), and the advertisement was duly inserted. At the proper time he was given the affidavit to have signed by his mother, which she naturally refused to do, as the book had not been burned, in consequence of which the money was not paid. In small amounts advertising and affidavit are ample protection, but, in large matters, satisfactory bond should be insisted upon.

In an investigation covering this question, made by the Committee on Methods and Systems of the Savings Bank Section of the American Bankers Association, and covering 1,700 banks, from which over 600 replies were received, it was found that four methods for protecting the banks in case of lost or stolen books are in common use, viz.: Affidavit of loss; bond of indemnity; advertisement of loss; notice of loss. Some banks combine two or more of these, while others use but one. Many commercial banks issue duplicate book on statement of loss. Some savings banks do so upon being satisfied that a thorough search has been made for the missing book, but these are not common.

CHAPTER XXXI

ADVERTISING THE SAVINGS BANK

There are three essentials in savings bank advertising: First, it must attract attention; *every* advertisement must

Your Future Success!

If you intend to be a success—and who doesn't?—the thing to do is give your good intentions a practical background. Start now to build up a fund for meeting future opportunities half-way, through a deposit account with us.

We have paid dividends of $4\frac{1}{2}\%$ since January, 1923. You can deposit here no matter where you live. Our booklet "Banking By Mail" tells you how—write for it TODAY.

WILLIAMSBURGH SAVINGS BANK

Central Office—Atlantic and Flatbush Avenues
(LONG ISLAND RAILROAD TERMINAL BUILDING)

Williamsburgh Office—175 Broadway, Brooklyn

 Open Mondays Until 7 P. M.

Established 1851

Assets Exceed \$200,000,000

APPEALING FOR BUSINESS; ADVERTISING THE INTEREST RATE AND FEATURING ITS AGE AND SIZE—ALL IN ONE AD.

attract attention or it utterly fails; it might just as well not have been printed. Attention, as St. Elmo Lewis says, is purely a mental condition, and if the attention is caught, it means that the advertisement has been so displayed that it

SAVINGS BANKS.

**Established
1827**

**Corner Pierrepont
and Clinton Streets**

Brooklyn Savings Bank

DEPOSITS 46 MILLIONS

Surplus January 1, 1911, Over 5 Millions

Interest at the rate of

4 PER CENT

4 PER ANNUM

will be credited to depositors with this bank January 1st next, on all sums entitled thereto (payable on and after January 20th). Deposits made on or before January 10th will draw interest from January 1st.

BRYAN H. SMITH, President.
EDWIN P. MAYNARD, Comptroller.
LAURUS E. SUTTON, Cashier.

Business Men

are invited to open savings accounts at this bank. We particularly invite the accounts of those who in the future expect to need the services of a bank willing to extend credit to responsible borrowers.

CHARLES S. CASTLE, President
WM. F. VAN BUSKIRK, Vice-Pres.
JAMES M. MILES, Cashier.

STANDARD TRUST & SAVINGS BANK
Capital and Surplus \$1,250,000
159 LA SALLE ST.

The Williamsburgh Savings Bank

Broadway and Driggs Ave., Brooklyn
December 5, 1910.

Notice is hereby given that on and after the Twentieth day of January, 1911, a Semi-Annual Interest at the rate of

FOUR PER CENT.

per annum will be paid to all depositors in this bank who on the First day of January, 1911, may be entitled thereto.

Money deposited on or before Jan'y 10, 1911 will draw interest from Jan'y 1.

Accounts can be opened by mail.

Send for booklet and full instructions.

E. B. TUTTLE, President.
WILLIAM F. BURNS, Cashier.
S. M. MEEKER, Secretary.

Bank Open Daily, 10 A. M. to 3 P. M.
On MONDAYS from 10 A. M. to 7 P. M.

has caught the eye and been telegraphed to the brain; that here is something worth looking into.

Second, it must awaken interest; it must incite inquiry; it must create a desire to know. Interest is merely sustained attention, concentrated thought; and if your interest is awakened, the advertisement has accomplished the second step, and has made an *impression* upon you.

The third is to arouse to action. Having appealed to you and interested you, it must lead you to *do something*; it must persuade you that you want to do or ought to do what the advertisement tells you you should do. It is futile to merely admire the setting of the advertisement, the catchiness of its phrases, or the brilliancy of its wit. If it does not persuade you to do something, it has failed in its purpose.

Having come to this point it must bring your conviction to the point of action; and if a bank advertisement has brought you to the point where you determine to sit down and ask for information, even to inquiring how to open an account with the bank, or even persuaded you to save your money, that advertisement has not been in vain. It has been well said that an advertisement must have a good position to secure an *audience*; it must be well dressed to create an *impression*; it must contain convincing talk to inspire *action*.

SAVINGS BANK ADVERTISING SHOULD BE EDUCATIONAL.

We are well aware how the people were educated during the free silver craze, for then the bankers say that it was essential that the people should be educated in banking principles, and it has been said that they literally poured out millions to properly educate the public on this question, and it has been claimed that this was the first educational political campaign since the times of Hamilton, Jackson and Lincoln.*

Printers' ink plays an ever more important part in political campaigns, and the value of judicious advertising is coming to be recognized in politics as well as in business. And savings bank advertising must essentially be educational.

*St. Elmo Lewis before Chicago Chapter A. I. B.

Irving Savings Institution

115 Chambers St., New York.

The Trustees of this Bank have declared interest at the rate of

4%

on the amount of all sums from \$1 to \$3,000, entitled thereto, on Dec. 31, 1907, payable on and after Jan. 15, 1908. Deposits made on or before January 1st will draw interest from Jan. 1st.

W. H. GOOTEN, President,
GEORGE H. DUNNING, Secretary,

THE MANHATTAN
SAVINGS INSTITUTION,
NO. 644-645 BROADWAY.
113TH SEMI-ANNUAL DIVIDEND

INTEREST FOR THE MONTH OF DECEMBER, 1907.

The Trustees of this Institution have declared interest at the rate of

per annum on all sums not exceeding \$2,000 remaining on deposit during the three or six months ending Dec. 31st, payable on and after January 10th, 1908.

Deposits made on or before January 10th, 1908, will draw interest from January 1st, 1908.

After January 1st, 1908, open daily from 10 A.M. to 3 P.M. (except from 10 A.M. to 1 P.M. on Saturday) JOSPEH BIRD, President,
FRANK G. STYLES, Secretary.

CONSTANT M. BIRD, Asst. Secretary.

The Metropolitan Savings Bank.

4 and 5 THIRD AV., (Opp. Cooper Institute),
CHARTERED 1802

109th DIVIDEND.

New York, Dec. 10th, 1907.

INTEREST FOR THE MONTH OF DECEMBER

DECEMBER 31ST, 1907, AT THE RATE OF

FOUR PER CENT. Per Annum

will be credited to depositors entitled thereto under the by-laws of the bank on sums from \$5 to \$3,000.

INTEREST PAYABLE JANUARY 15TH, 1908.

MONEY DEPOSITED ON OR BEFORE JANUARY

10TH WILL DRAW INTEREST FROM JANUARY 1ST, 1908.

JONATHAN B. CURRY, President.

HOWARD SHERER, Secretary.

HENRY SIEGEL FRANK E. VOGEL
HENRY SIEGEL & CO.

PRIVATE BANKERS

MAIN FLOOR



4½ PER CENT. INTEREST

Paid on Deposits from \$1 to \$3,000

MONEY DEPOSITED ON OR BEFORE JANUARY 1st WILL DRAW INTEREST FROM JANUARY 1st. INTEREST READY AND PAYABLE IF DESIRED, PROVIDED THAT THE BUSINESS DAYS OF JANUARY AND JULY.

Deposits may be withdrawn at any time without giving notice.

WE HAVE NEVER AT ANY TIME REQUIRED NOTICE OR GIVING OF DEPOSITORS FOR THE WITHDRAWAL OF DEPOSITS.

THE INVESTMENTS AND CONDUCT OF OUR BUSINESS ARE UNDER THE DIRECT SUPERVISION AND CONTROL OF RESPONSIBLE WELL-INFORMED MEN, LEADERS IN LEGITIMATE MERCANTILE ENTERPRISES.

WRITE FOR CIRCULAR.
Hours: 9 A.M. to 5:00 P.M.

G.L. CHAMPION, W. J. DOHERTY,
CASHIER ASST. CASHIER

SOME OLD-TIME NOTICES OF DIVIDEND.

The savings bank has nothing to sell but its services, and these it offers without money and without price—yea more, it pays for the privilege of serving; but the general public does not look upon it in that light, and many do not know the why and wherefore of the savings bank at all. All

The Bowery Savings Bank.

128 AND 130 BOWERY

NEW YORK, Dec. 16, 1907

A semi-annual dividend at the rate of

FOUR PER CENT.

per annum has been declared and will be credited to depositors on all sums of \$5 00, and upward, not exceeding \$2,000, which shall have been deposited at least three months on the first day of January next, and will be payable on and after Monday, January 1st, 1908.

Money deposited on or before January 10th will draw interest from January 1st, 1908.

JOHN J. SINCLAIR, 1st Vice Pres't,
HENRY A. SORENSEN, 2nd Vice Pres't,
WILLIAM E. KNOX, Secretary.

THE BANK FOR SAVINGS

IN THE CITY OF NEW YORK

280 Fourth Avenue, Dec. 13th, 1907.

177TH SEMI-ANNUAL DIVIDEND.

The Board of Trustees has declared an interest dividend for the Six Months ending December 31st, 1907, at the rate of **FOUR PER CENT.** per annum on all sums of \$5 00 and upwards, entitled thereto, and payable on and after January 1st, 1908.

The dividend will be credited to depositors as principal, January 1st, 1908.

Money deposited on or before January 10th will draw interest from January 1st, 1908.

WALTER TRIMBLE, President

CHARLES A. HERMAN, Sec'y

JAMES KNOWLES, Comptroller.

Union Dime Savings Institution

BROADWAY, 512 ST., AND 6TH AVENUE,
GREENBURY SQUARE, NEW YORK

Interest Four Per Cent.

Per annum from \$5 to \$3,000. Credited Jan-

uary 1st, payable January 14th, or any time later.

CHARLES B. SPRAGUE, President

FRANCIS M. LEAKE, Treasurer

WILLIAM G. ROSE, Secretary.

The Brooklyn Savings Bank,

COR. PIERREPONT & CLINTON STREETS,

BROOKLYN, N.Y.

Dec. 14, 1907.

INTEREST AT THE RATE OF FOUR PER CENT. PER ANNUM

Will be credited to depositors with this bank, January 1st, 1908, on all sums deposited thereto, payable on and after January 20th.

MONEY DEPOSITED ON OR BEFORE JANUARY 10th WILL DRAW INTEREST FROM JANUARY 1st, 1908.

BRYAN H. SMITH, President

FELIX E. FLANDREAU, Cashier

EDWIN F. MAYNARD, Comptroller.

SEAMEN'S BANK FOR SAVINGS,

THE TRUSTEES HAVE ORDERED THAT INTEREST BE PAID TO DEPOSITORS ENTITLED THERETO ON THE BY-LAWS AND IN ACCORDANCE WITH THE SAVINGS ACT, FOR THE SIX MONTHS ENDING DEC. 31ST, 1907.

On account not exceeding three thousand dollars at the rate of **FOUR PER CENT.** per annum.

Payable on and after Monday, Jan. 20th, 1908.

DANIEL BARNER, President

GEORGE M. HALSEY, Cashier

New York, Dec. 16th, 1907.

Deposits made on or before Jan. 10th will draw

interest from Jan. 1st.

GREENWICH SAVINGS BANK

Cor. Greenwich & Washington Streets,

NEW YORK CITY.

INTEREST AT THE RATE OF **FOUR PER CENT.** PER ANNUM will be credited de-

positors for the six months ending Dec. 31st, 1907.

Deposits made on or before Jan. 10th will draw

interest from Jan. 1st.

JAMES QUINLAN, President

CHARLES L. DUTCHER, Treasurer

J. HAMILTON COBB, Asst. Treasurer

Deposits made on or before JAN. 1, 1908,

will draw interest from JAN. 1, 1908.

the advertising sent out should therefore be instructive. The idea of inculcating thrift must ever be uppermost. The depositor should have clearly set before him the fundamental idea of the savings bank, the value of a reserve fund, the benefits of saving, the earning power of money; what the bank aims to do for its people and how it does it; what use it makes of funds left in its care, and the safeguards and security afforded by it.

Much of this educational work need not be paid for, for the press is ever ready to print *interesting* items along this line as matters of news, and our best known savings institution no doubt occupies its enviable position to-day largely through the fact that it has received much space in the press for which it did not pay, and such favorable comments have been its very best advertising medium.

The problem in savings bank advertising is not usually a question of money, although some bankers hold that a savings bank has no right to use the money of one man to obtain the money of another; but the question is, how to do it and where to do it most effectively. Much of our savings bank advertising is absolutely thrown away. It can hardly be called charity, because the local newspaper is not a charitable enterprise. We have all witnessed hundreds of dollars contributed to the daily papers with no other thought than to sustain the local sheet. The same space filled with bright, snappy, educational talks would have been much more beneficial, both to the bank and to the reader, but the trouble has been the bank men did not know how, and it may be they never gave the matter due thought.

THREE MISTAKES IN ADVERTISING.

Savings banks everywhere have made three mistakes in their advertising: First, they have looked upon it as a necessary evil and have carried a "standing" advertisement so long in one spot and in one "set-up" that it has become rooted, and is worth less than the paper it is printed on. The matter usually inserted is, the name of the bank and the officers, hours of business and list of trustees, with a few rules and regulations. No one ever thinks of reading this the second time, and many could say it over by heart from seeing it so often. The waste of money in this respect must be appalling in the course of a year; and it is appalling, for

the same amount of money ought to buy *publicity*, whereas it buys nothing.

The second error has been in *emphasizing* the interest rate. To advocate the accumulation of principal is much better education than to emphasize the income rate; for no change of interest rate can alter the value of saving as a

BORROW MONEY
HERE
TO IMPROVE YOUR
PROPERTY

Mr. Benson
is the man to see
about such loans

{*DEPOSITS ACCEPTED BY MAIL*}



THE DIME SAVINGS BANK
OF BROOKLYN
DE KALB AVE & FULTON ST

ESTABLISHED 1859 ~ RESOURCES OVER \$138,000,000

habit. It is true this is an attraction, and perhaps one of the principal ones; but the savings bank has another function besides the payment of interest. It is to accumulate principal. And this is more important than to pay interest.

The third error is in making the advertising *spasmodic*. The usual procedure is to advertise the dividend only, twice a year for a few weeks. This is very well and good; but if the educational aspects of the savings bank were held prominently before the people day in and day out throughout the land, a different generation of depositors would soon be born. Better to have two inches of live matter, well selected, readable and catchy, every day, than two hundred inches in a special edition.

The argument frequently heard that "ours is the only bank in the community and everybody knows where we are and what we do," is not well taken; for while a great many may know where you are, they do not understand what you do, or how you do it, and have yet to be convinced that you can render them a service. Whoever earns more than he spends is a legitimate object for savings bank solicitation, and until you have on your books every man and woman in this class in your baliwick, you have not exhausted your field. There is everywhere hidden wealth which can be brought to light if the owner is convinced that he can safely entrust it to your keeping; and when he is satisfied that you can take better care of his money than he, you will be made custodian and trustee.

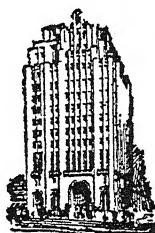
The mere fact that a bank has been in operation for fifty years and lives in a fine house is well and good—but a big building has the same psychological effect as a church steeple,—it indicates that here is a bank that stands for *something*; but like the church steeple pointing to heaven, it will not win many converts until that for which it stands is firmly impressed upon the minds of those who see it.

THE MEDIUMS.

The mediums for disseminating savings bank information are: First, the newspaper. It cannot be denied that newspapers are read, and read by everybody. And the advertisement that is well placed and well displayed and well written *will be read*. It is, of course, one of the most expensive of the many mediums, but its very costliness is

evidence that it produces results. One need but watch the largest advertisers of the country, particularly the department stores, to be convinced that newspaper advertising pays, and pays well. They would not use this medium so freely if it did not produce results.

All newspaper advertising should be carefully done. It must be remembered that the audience is, in a large sense,



949
new savers
in September
took advantage of our terms,
interest from day of deposit.

You are invited to join these
thrifty savers

SEAMEN'S BANK
for SAVINGS
74 Wall Street, New York



the same year in and year out, and to impress them with the merits of the case, the matter, while it may not be new, must be presented in an ever changing dress in order to attract and convince. If good "copy" cannot be written by the one in charge, there are numerous agencies that make a specialty of supplying well written and attractive ads. But among the many things that may be emphasized in such advertising are:

The strength and soundness of the bank; its investments and its general policy.

The trustees or managers; their standing in the community, and their successes in their own callings.

The great value of a rainy day fund.

The accumulative power of interest.

The services of the bank in helping depositors to accumulate money for a definite purpose.

The security of the vaults.

The courtesy extended to every depositor.

The growth of the bank as shown by statistics.

The interest rate and rules.

The record of savings banks in the State and the freedom from losses.

The acceptance of small amounts on deposit.

Young people can be appealed to to save in order to accomplish their cherished ambitions, and examples without limit may be cited to show how saving has laid the foundation for many fortunes.

Middle aged people may be appealed to to save in order to be independent in old age and sickness.

Married people are susceptible to appeals to save for the sake of those dependent upon them.

In addition to this may be mentioned timely stories of "human interest" showing what other people have done in the way of saving; how fires and thieves and rats have destroyed the savings of years, and how a bank account would have prevented these losses; good advice in the matter of get-rich-quick schemes and other questionable ways of making money; proper investments, etc.;—in short, acting on the principle that people are more interested in *people* than in *things*, aim to reach them through the medium of their human side rather than to pound cold logic and hard facts into their heads.

The second medium is the booklet, to be distributed

both to old and to prospective depositors. This should be educational in its tone, full of human interest, illustrated if possible, well printed and on good paper. It should set forth many of the matters enumerated above, and while general in its aspect it should point but one way—to the savings bank that issues it. It should be distributed with care and with regard to the people to whom it is to appeal.

The third medium includes gratuities of all sorts, blotters for the school children and office people, rulers, pencils, etc., which are sure to be carried home and used.

“Good will advertising” in church papers, fair programmes, and kindred organs must be looked upon as contributions pure and simple. Advertising has a cumulative effect; it “piles up,” as it were. The ad. that is read to-day reiterates and reinforces that of yesterday. It is like the repeated blows of a small hammer,—bound to crack something if kept up long enough; and the proposition is to make your name so well known that the man with money to deposit instinctively turns to you. The account that is opened is, as a rule, bound to grow, and if the customer is pleased, his account will bring another. Your best medium, after all, is the good will of your people.

DEPARTURES IN SAVINGS ADVERTISING*

“The need for better understanding of advertising in relation to the solicitation of savings accounts is apparent by the sameness that characterizes this type of appeal throughout the country. Advertising, by virtue of its ability to sell an article or service, is a necessity in this age of competition. In each field it must be characterized by something distinctive that will raise it from the mediocre and make it a definite force.

“The kind of advertising that some savings banks need, apparently, is the type that some savings bankers do not want. Thrift and frugality admittedly are hard ‘commodities’ to merchandise. It requires a different approach, not offered by the mere publication of lists of officers and assets, together with the date on which interest is credited. At least 75 per cent. of savings advertising published today is of that nature.

*Frederic O. Schubert, in *The Savings Bank Journal*.

Why this bank is never empty

THE store always filled with customers is the store that gives good value and service. The bank that has a steady stream of customers is the one that serves its patrons well—the one in which depositors have confidence.

During business hours this bank is never empty. From the time the doors open until they close at the end of the business day, customers come in steadily, have their wants attended, and go away satisfied. Here they are being helped to accumulate money, getting checks to pay their taxes, travelers' checks, financial advice. In other words, they are getting service.

Let us help you. Just come in and ask for Mr Carroll.

Money deposited on or before the third business day of any month draws interest from the first

THE DIME SAVINGS BANK
OF BROOKLYN
DE KALB AVE. & FULTON ST

ESTABLISHED 1859 ~ RESOURCES OVER \$129,000,000

THE DIME SAVINGS BANK OF BROOKLYN ADVERTISES EXTENSIVELY.

"Not unlike the manufacturer or distributor, the savings bank has a commodity to sell. Although the service rendered does not offer the element of tangibility that characterizes a manufactured article, savings advertising must reflect the human element behind the institution and the possibilities of its service. This alone can "sell" the institution.

"However effective the savings message, it cannot accomplish desired results unless applied through an effective medium. No one medium is best for all institutions. The best medium depends upon the range of service that can be rendered, to whom it can be offered, how it can be properly brought to the attention of prospective depositors, and various other conditions.

"The principle mediums of advertising used by manufacturers and distributors also are the principle mediums for banks. At the top of the list stand the newspapers. Posters and bulletin boards together with car cards perhaps come next in line. Direct by mail activities through the medium of house organs, letters and printed matter generally are other successful avenues that supplement advertising in the newspapers and on the street. Novelties and specialties, motion pictures, calendars, advertisements in theatre programs and on curtains, with employee and customer contests, sum up briefly the best defined mediums of advertising available to the banker in planning a well-rounded publicity campaign.

"The banker may depend on one of these mediums but use several other forms in a secondary way. For example, some savings bankers, although asserting that advertising in the daily press produces the least results, still utilize newspapers as their leading medium of publicity, joined to one or more of the direct by mail appeals. Other institutions rely on but one of the avenues available to bring them before the public. Emphasis might be laid on the fact that regardless of the size of an institution there should be a worth while advertising appropriation. This established, the second and perhaps greatest consideration is the humanizing of copy.

"Probably more errors in advertising practice arise from judgments formed on personal views than any other single cause. It is natural for one to do the reasoning and come to a conclusion from his own point of view. Every one knows his own experience, impressions and something of his actions under given conditions better than he knows these things as manifested in others. But the difficulty comes in that often the type of people at whom the savings banker is aiming are different from himself in position, environment, education and income.

"Consequently a banker, or those who serve him, must not merely ask, "What would I do about this?" or "What

Deposits and
withdrawals may
be made by mail.
*Accounts may be
opened by mail*

Interest Rate

now $4\frac{1}{2}$ per cent a year
compounded quarterly

THE DIME SAVINGS BANK
OF BROOKLYN
DE KALB AVE & FULTON ST

ESTABLISHED 1859 ~ RESOURCES OVER \$138,000.000

ENCOURAGING BANKING BY MAIL.

impression would I get?" but "What will the class of people we are trying to reach, think, say and do?" If they are of limited means, then their viewpoint must be sought by letter and conversation. If they are of any number of other types each must be studied in order that a viewpoint generally characteristic may be had.

"Banks in the smaller towns and cities have a distinct advantage over those in metropolitan centers because in practically every case they know their people. Among the larger institutions personal investigations, questionnaires and other means of determining desired information are common not merely to collect tangible facts and figures but in order to get the proper viewpoint from which to direct the savings appeal.

"In this connection it is interesting to record the program followed by the East New York Savings Bank, Brooklyn, in "selling" its branch institution to a community that responded with total deposits of \$622,000 one month after opening for business.

"The bank utilized every means at command. The usual monthly edition of its house organ had a run of 35,000 copies, of which 15,000 were distributed in schools in the territory served by the new office of the bank. In the issue distributed just before the opening the first page showed the building in process of alteration, together with a descriptive article. The following issue was devoted entirely to news concerning the opening of the new branch.

"Advertising space in the local bus lines was increased to twice the usual size. Attractive cards, printed in black and orange, emphasizing the interest rate paid by the bank and the opening date, were used for more than a month prior to December 18, when the Parkway office was opened.

"Two weeks before the opening 15,000 pamphlets under the title of 'Old Bank Opens New Branch' were distributed from door to door in a neighborhood where Guy L. Terhune, assistant secretary and manager of the Parkway office states, a considerable number of new accounts were opened during the first few days.

"For three weeks prior to the day that the new branch was opened, display advertisements were printed in seven Jewish newspapers and one weekly local newspaper printed in English. The first week one insertion, one column wide and four inches deep, was printed in each of the foreign language papers. The local paper had a quarter page advertisement. The week prior to December 18 the foreign language newspapers had display advertising one column in width by five inches deep. The local paper again had a quarter page advertisement. The week of the opening all of the Jewish papers had an advertisement three columns

Planning Ahead

THE man who plans ahead is the one who gets ahead. And there is no better foundation for future plans—future opportunities—than a growing deposit account with us. We have paid dividends of $4\frac{1}{2}\%$ on deposits since January, 1923. Our booklet—"Banking by Mail"—will tell you how to deposit here, no matter where you may live. Write for it today and start your planning ahead.

The

WILLIAMSBURGH SAVINGS BANK

Central Office—Atlantic and Flatbush Avenues
 (LONG ISLAND RAILROAD TERMINAL BUILDING)
 Williamsburgh Office—175 Broadway, Brooklyn
 Open Mondays Until 7 P. M.

**Financial
Advice**

**TWO
OFFICES**

We would be glad to advise you at either of our offices in any matter regarding savings, investments, mortgage loans, or any other financial matters.

The regular quarterly dividend at the rate of four per cent per annum has been declared on all deposits from \$5. to \$7,500, for quarter ending June 30, 1927.

*Deposits made on or before July 6, 1927
draw interest from July 1, 1927.*

CENTRAL SAVINGS BANK
 14th St. & 4th Ave. — 77th St., Broadway

wide, with a depth of 10 inches, and the local weekly a full page advertisement.

NEWS ITEMS GOOD ADVERTISING

"In all of the papers in which the bank advertised, and others serving Brooklyn, there appeared news items from time to time concerning activities of the bank and the opening of its Parkway office. While many of these were reduced by the editor's blue pencil, it is interesting to note that all the papers reproduced these articles and carried sizable stories when the branch was opened.

"Soon after October 1 a force of approximately twenty boys was employed to canvass every street in the territory to be served by the Parkway office. They wrote on specially printed slips the names and addresses of every resident. With these names as the basis of a mailing list about 15,000 personally addressed letters were sent, together with invitations to take advantage of the service that the bank would bring into the neighborhood. These letters were mailed so that they arrived a day or two prior to the opening.

"Arrangements were made with the Waterman Fountain Pen Company to obtain 35,000 reproductions of one of their advertisements free. Imprinted on this advertisement was an announcement of a contest, offering to present either a Waterman pen or pencil or both to pupils in the schools of the vicinity who introduced new adult depositors either at the main or Parkway office. The size of the account determined whether the pupil received a pen, pencil or both.

"Perhaps the outstanding feature of this unusually well planned promotional program was the use of a tabloid newspaper resembling one of New York's dailies. Thirty thousand of these eight-page newspapers were prepared, having announcement of the bank's opening, news of savings banks in general and the East New York Savings Bank in particular, with welcome statements and photographs of prominent persons in the community. In addition, there appeared a number of cartoons and reproductions showing school savings activities and philanthropic and religious enterprises in which the bank was interested by reason of mortgage loans.

"Approximately 5,000 of these papers were distributed on the bus lines with a terminus directly opposite the Park-

DOWNTOWN
291-3-5
B'WAY
One Block
North of
City Hall



Still Ahead!

Twelfth dividend at the rate of $4\frac{1}{2}\%$ per annum was paid to our depositors on Sept. 30th.

Still ahead with extra interest, surplus protection and double deposit convenience at two locations.

Deposits on or before Oct. 13, draw interest from Oct. 1st.

UPTOWN
96th St. at
Amsterdam



12½
per annum
credited
quarterly

EAST
RIVER
SAVINGS
BANK

MAKING CAPITAL OF ITS DIVIDEND RATE.

way office. The remaining 25,000 were distributed from door to door and not only were read with interest but caused considerable favorable comment. The total cost of this campaign, according to one of the officials did not exceed \$2,700.

NOVEL CONTEST ANNOUNCED

"Another idea of interest was the contest of the Emigrant Industrial Savings Bank, which invited the school children of New York to participate in an essay contest with \$1,000 in prizes as the incentive.

"How our family can make money in 1927" was the subject. Any boy or girl registered in a New York school—public, parochial or private—was permitted to submit an essay limited to 500 words.

"The \$1,000 was divided into awards, four for high school students and four for pupils in elementary schools.

"In assigning as a subject for the awards this year, "How our family can make money in 1927," said John J. Pulley, president, 'we have purposely tried to make the school children of New York realize that thrift is not merely a negative thing. The family that can set aside a portion of its income each year is making a profit exactly like big business.

"It is our experience that families regarding household expenses as a business matter soon find it easy to make money every year, without having any crimping or deprivation.

"The trouble with most thrift campaigns has been that we are all too likely to associate thrift with stinginess or the negative idea of depriving ourselves of the things we want.

"If we can once teach the younger generation of New York that thrift is nothing less than seeking a profit on one's life, we shall have done much to further the idea of family budgets and to increase the enthusiasm and interest of every member of the family in following common-sense business management."

DISTRIBUTE \$25,000 IN CHECKS

"The opportunity afforded by Thrift Week was utilized by the Niagara County Savings Bank, Niagara Falls, N. Y., for the purpose of distributing \$25,000 to patrons attending one of several motion picture theatres in the vicinity.



Since one of the great objects in saving is to have ever-ready cash for emergencies, the test of any interest plan is what happens when you have to withdraw money.

America's Largest Savings Bank is the only one in the city where you may withdraw money the first of any month without losing interest for the previous calendar month.

John D. Leyell
President

EMIGRANT Industrial Savings BANK

51 Chambers St.
43rd St. & Lexington Ave.

Interest
from
Sept. 1st

*Start an Account
With Us Today*

4 $\frac{1}{2}$ %
Per Annum

is the present rate on sums of \$5.00 to \$7,500.00.

Deposits made on or before Sept. 3d will draw interest from Sept. 1st.

"The Friendly Bank"

IRVING
SAVINGS BANK
115 Chambers St., New York
Established 1851

Open Mondays until 6 P. M.

"One of the theater managers explained the plan, 'No, we did not give away dollar bills. We want the money to be of lasting benefit. The \$25,000 was issued in \$1 bank checks, made payable to bearer, signed by myself as president of the Cataract Theatre Corporation. One of the checks was presented to each person attending any performance, afternoon or evening, during the week. These checks were accepted by the Niagara County Savings Bank at their face value when presented with \$4 in cash in opening a new savings account of \$5.'"

"These examples prove conclusively what can be done by progressive banks in the advertising field to stimulate business and increase the number of depositors."

HOW YOUR BANK CAN WIN FAVOR

Advertising is nothing more than making a public speech on paper.

The experienced orator can "feel" his audience. He knows instinctively when his message gets over, when it rings true and therefore interests, or when it strikes a false key and therefore bores.

Hence any plan of bank advertising must consider human nature and what will appeal to different types of men and women. Consequently, the first principle of effective advertising is—know your audience.

We may divide our savings audience into several groups, each interested in the main idea of saving, but each approachable by a different channel. First, we have the old time savers. These do not need to be educated against the rainy day. They are more interested in what to do with accumulated savings. Or, perhaps, they can best be served by being told what *not* to do with their money. Herein comes into play that new department of a savings bank, the advisory department, which should function in all banks.

Second, we have the investment saver, who is looking for income on his money. This class is interested in the main in your interest rate and rules.

Third, the so-called "white collar class." This class has been hardest hit by the high cost of living and has difficulty in making both ends meet. They do not need thrift education particularly, but thrift opportunities, and they would

be more interested in the conveniences offered by the bank than its other inducements.

Four, the wage earner. This is the great army of savers that offers the greatest field for savings appeal. It is this class that has brought about the remarkable increase in savings deposits during the last five years.

I am going to assume that I am one of this class—one in a great audience—and set forth the advertising appeal that would interest me. I am a carpenter, earning \$9 a day and saving, or willing to save, three. What sort of salesmanship will "sell" your bank to me? What do I look for from you?

First, I expect you to use the medium that will reach me. If you use the newspapers (as you should), be sure to select the kind that I read. As a laboring man I do not take a morning or a "highbrow" paper. I am more apt to read some flashy evening sheet.

I read my paper thoroughly and will surely see your advertisement if it is attractively displayed. Therefore give heed to your copy. If you send me a booklet I am sure to read it, for I get but little mail and I have no waste basket; but be sure that the text is down to my level.

Second, I am more interested in the bank than I am in the men who conduct it. Whoever comes or goes, I expect the bank to carry on.

I am interested in several features about your bank, namely: (a) How big are you? Size influences me. I like to be a part of a big thing. (b) I would be interested in knowing how old you are and how you have grown, for I am always impressed with things that grow. (c) As I have only a little to save, my savings mean much to me. Therefore, tell me how safe my money will be with you. If banks of your type rarely fail, tell me so. If your investment plan is par excellence and you are as safe as humanly can be, that will have much effect. But in doing so, do not "belittle" the other fellow. (d) Tell me what you can and will do for me in the way of distinct service that I may sometime need. Make me feel that somehow you are more concerned about me than about my money; for, getting me, you will get my money.

A friend of mine went into a savings bank years ago and asked the officer his opinion about an investment. The officer

told him emphatically that they did not give advice to their depositors on anything. That was not their function. "Never treat me like that. I have many alluring propositions put up to me. Stock offerings, real estate opportunities, and business ventures that look attractive come to me frequently. I have no other place to go for disinterested advice. If your bank has such service, I may not use it often, but when I need it, it will be of greatest value to me. Heretofore I have been timid about taking a bank man's time on personal matters. And if such service is part of your operations you will be my guardian angel.

Third, I expect you to live up to your advertising. Make no promise that you cannot fulfill. I have frequently read the advertisements of a chain of barber shops in New York that uses the slogan "Where the promise is performed." I read with interest just how the barber is supposed to go about it when he shaves the customer. He washes his hands, takes a sterilized towel, etc., etc., and out of curiosity I tried it out. And they did exactly as the advertisement read. I patronize that barber shop—and I recommend it.

A friend of mine, an insurance man, moved to another city. A certain bank sought him out and invited his account. He went in one day and laid down his card. The officer looked at it and said curtly, "Well, what's your story?"

"I have no story," said the insurance man, "except that you invited my account and here I am."

"Oh," said the bank man, "that's different. Have a seat!"

Now that bank did not live up to its advertising.

If a bank advertises that it "can do anything that any bank can do," some day I am going to ask it to do an unusual and a hard thing for me and test them out. If it fails, it had better adopt another slogan.

GOOD SERVICE NEXT

Fourth, I shall expect good service at the counter when I come in. I expect to find a crowd and like to deal with banks that attract crowds. That shows me you are popular. I expect you to have a system that will handle people quickly and efficiently. I expect to wait my turn, only do not waste too much of my time. If I appear dull and stupid, do not

humiliate me. If you make mistakes, correct them willingly. I do not expect you to be a hundred per cent. perfect.

Fifth, if you make the banking room attractive and imposing I will appreciate that. If you have a good lobby man to tell me where to go for anything I want, that will be a real service to me. I will immediately feel at home. I will, perhaps, be more impressed with simple dignity than a room full of signs and slogans and mottoes, so that your messages get confused and you attempt to say too much at the same time. Hand your advertising to me; do not throw it at me.

OLD STORY TO HIM

Sixth, I expect you to say the same things, over and over again, but in different ways. Do not keep telling me the same thing in the same way for years, else I will pay no attention to your message.

I went back to my old home town some time since. I picked up the daily paper. What did I find? Only one bank advertisement, that I had seen hundreds of times before, setting forth the officers and directors. The only change in twenty years was in the names, and time had done its perfect work in that respect.

When I read that advertisement, I was reminded of one of the first things my little boy learned to say. When I tried to tell him certain things, he came back at me with, "I know that," with accent on the "that."

Now, if I believe in you and your message, and find both ring true, I will be interested in knowing how much I am to receive on my savings. And if I trust you implicitly, I will believe that you will pay me all that good banking permits. If you have prosperous times, I shall expect to share them with you; and if times are bad, do not hesitate to pass the burden on to me. Keep my bank safe, whatever you do; but tell me frankly why you do things and I will understand. I do not expect to get rich from the interest you pay; my riches will come from the money I save, not from what it earns.

When I ask for my money back, give it to me as willingly as I gave it to you. I am only taking out what I put in. And if I come often, either to deposit or to withdraw, do not treat me as a nuisance, for I am only exercising the

saving habit and it works both ways. I may be dull of comprehension and may not get your message at first. Therefore keep repeating it in a different dress and in a different setting, in homeopathic doses, until it accomplishes its purpose. Make it human, practical, appealing, simple; for I and the likes o' me are simple folk, ready to be taught and willing to learn, if the teaching is of the right sort, and that is up to you.

CHAPTER XXXII

DORMANT ACCOUNTS

No single feature of savings bank management is more generally misunderstood on the part of the public than the matter of dormant accounts. In some localities rumors are frequently heard that the ornate buildings of savings institutions have been built with these unclaimed balances, and such erroneous ideas have caused much unfavorable criticism of the bank management.

The impression is quite common that the bank or the State eventually comes into possession of these moneys. This is true in but a few States, notably Pennsylvania and Massachusetts, wherein after thirty years the money is paid over to the State treasurer, who must hold himself in readiness to repay upon presentation of duly authenticated claims. In New York the debt remains forever an obligation of the bank. That all such notions are fallacious needs no refutation at this time, and we confine ourselves to the more interesting side of this subject.

The New York savings banks—in fact large banks everywhere—are constantly hunting up people whose accounts have become or show the possibility of becoming dormant, and frequently the rightful owners turn up through such “detective work,” some to get a handsome reward for their forgetfulness, and others to get a like reward for the forgetfulness of others.

It does not always happen that the owner of the book is found, but every effort is made to locate the legal representatives, whoever and wherever they may be, and the common notion that the savings bank encourages these dormant accounts and endeavors to retain them is erroneous in the extreme.

An investigation covering this subject, made by the Savings Bank Section of the American Bankers' Association, showed that very few banks encourage dormant accounts, and this practice is not common, the usual custom being to find the rightful owner as speedily as possible and

tender him his money; or better, to prevent the account becoming dormant by constant care; and when an account shows any likelihood of becoming quiescent to request the depositor to reinstate it by a deposit or a withdrawal or the entry of interest.

Some banks stop interest after a stipulated term running from ten to twenty-two years, while a few continue to pay interest as long as the account remains on the books.

Much of the dormant account money now held by the banks originally belonged to men who went into the Civil War and never returned, and sailors who have been lost at sea. In fact, it is said that the largest amount of dormant money in New York is in the bank which has catered especially to the sailor class. The author met a sailor at one time who had on his person pass books of savings banks and postal savings banks all over the world; and it can readily be seen that if he were lost at sea there would be the likelihood of all these accounts becoming dormant.

In one bank a man was found who had deposited money in the bank a long time ago and after quarreling with his family had changed his name; after a long hunt he was found, but refused to acknowledge that he was the man who made the original deposit, and the bank had to take legal proceedings to compel him to accept it. A woman deposited money in three different banks under three different names. Her heirs were hunted up thirty-five years later and given the money. A bricklayer deposited two hundred dollars a long time ago and forgot it; he was given eighteen hundred dollars. A wealthy widow in New York was found to have had five thousand dollars she had forgotten.

One day a woman walked into one of the New York banks and said her husband had died in Panama years ago, leaving her a deposit of \$3,000; they paid her \$8,000.

A bank book came into a bank from Scotland, representing an account of forty years' standing; the bank had worked on the case for several years.

The sentimental side of these dormant accounts may be seen from the following instance: A young woman deposited \$400 in a bank some years ago, and died shortly afterward; her mother was hunted up and tendered the money, which she refused, on the ground that the daughter had run away from home and become wayward. It is said

that another bank, not a savings bank, holds \$100,000 belonging to two sisters who came from Ireland. The heirs of Sarah H. Williams, who died several years ago, leaving no trace of her relatives, have \$40,000 due them.

DORMANT ACCOUNTS FULL OF ROMANCE.

While these dormant accounts are full of romance, the banks see in them only a care, and while they are a source of trouble and expense, they are also full of human interest, as the following incidents will testify:

One day in the early Nineties a quaint-looking old lady went into the great hall of the Bowery Savings Bank. She looked as if she had stepped out of an old picture. She had corkscrew curls; a lace shawl hung about her shoulders; her hands were incased in old-time mitts. On her head was a poke bonnet of the Fifties. With some embarrassment she approached one of the clerks and inquired for the clerk who had charge of the old accounts. On being taken to the dormant-account clerk, she explained her mission with some difficulty, and said:

"I saw an advertisement in the newspapers saying that you were looking for information concerning William _____ . I can tell you the name of one of his relatives."

"What is your interest in the depositor?" asked the clerk.

The old lady blushed and the tears came to her eyes.

After wiping them with the corner of her shawl, she said:

"Years ago he was my sweetheart and we became engaged. But he died before we were married." She paused a moment, then added: "And I am still single."

She took some of the glamour out of the romance when she asked if she could get the money.

The prosaic law, however, did not recognize sentimental attachments, and the relatives got the deposit.

Another case is that of Ellen.

For many years a ruddy-cheeked Irish woman was a regular depositor at the bank. She joked and laughed with the clerks, and she was very popular. She was an apple-woman, and carried a basket of fruit through various office buildings.

Then, one day, she stopped coming to the bank.

Six or seven years passed and then the dormant-account clerk got busy.

He had little difficulty in finding her in a tumble-down tenement house on the East Side.

"Why haven't you been to the bank?" asked the clerk.

"Shure, I didn't think it would run away," she replied.

"But what have you been doing with your money?" asked the clerk.

"Putting it elsewhere," replied Ellen, with perfect serenity.

Then she dug out of dark corners four bank-books for deposits aggregating thirty-five thousand dollars.

"Where did you get all this?" asked the clerk in astonishment.

"Fifty years of apples," was the immediate reply.*

METHODS OF HANDLING DORMANT ACCOUNTS.

Turning from the sentimental to the prosaic, we find the common procedure in the matter of dormant accounts to be as follows: Of course the entry of a deposit or draft indicates that the book has been presented, and the dormancy period therefore begins to run from that date. Where no transaction is made, but the book is presented for entry of interest, which in most banks revives the account, a distinctive check should be made against the date of the last interest entered, which indicates that the interest has been credited up to that point.† Accounts showing no such check marks or other indications of life should be listed, the last address set opposite and a letter sent to the depositor. This failing, the newspaper should be utilized and a list of names prominently posted in the bank, with foot note asking depositors to furnish, if possible, information as to the whereabouts of the missing people.

Most banks make provision in their by-laws for dormancy, the time running from ten to thirty years before such a state exists. The usual rule is to stop interest after the stipulated time, but some banks "close" the account. If by the term "close" is meant to merge the funds with the property of the bank—in a sense confiscating the money of

**Saturday Evening Post.*

†Many banks follow up all books that have not been presented for a term of years (about five) and endeavor to get them in, using old directories to run down the addresses. These checks indicate the last time the book was at the bank.

the depositor—this would clearly be illegal. The proper course would be to carry to "dormant accounts" in an assembly of such unclaimed balances, with reference to the original account. A dormant account register is helpful and should be arranged as an index, with the following data: Date of first deposit, name, last transaction, last known address, efforts to find, final result, etc.

Many banks encourage small balances, which act as "seed," and through which they hope to re-establish relationships with the depositor, and so retain them on the books.

It is quite common to notify depositors of the importance of keeping the account alive, and notice is generally found on the pass book, asking the depositor to present the book at stated intervals for the entry of interest. More extended notice of the rules regarding quiescent accounts is generally found in the by-laws, the following being typical, and extremely fair:

All accounts to which no deposits and upon which no draft shall have been made for twenty-two years in succession shall be considered dormant accounts, and neither such accounts, nor the interest which shall have accrued thereon shall draw any interest after the expiration of twenty-two years from the time of the last deposit or draft. Such accounts shall cease to be dormant after a subsequent deposit or draft shall be made thereon. Accounts of depositors whose pass-books have been presented at the bank for the entry of interest earned, within the period of twenty-two years, shall not be deemed dormant accounts.

The law in some states regulates the time necessary to elapse before an account shall become legally dormant. In New York it is twenty-two years.

In New York State there developed a claim of over thirty-five years' standing. The deposit was in the old Third Avenue Savings Bank of New York, one of the historic and dramatic failures of history. Upon proper proof the amount will be paid over to the rightful heirs.

In one of the hundred-million-dollar banks of New York, these dormant accounts under the twenty-two year rule amount to less than \$75,000.

The greatest number of these dormant accounts are small balances, left for sentimental purposes, frequently under the interest limit, and therefore never grow. Such accounts are often too small to warrant an effort to find the owner.

CHAPTER XXXIII

SOCIETY ACCOUNTS

In handling accounts of societies, lodges, church organizations, and other bodies of like character, it is necessary to use extreme care in making payment, in order that the bank may hold the receipt of the officers who are authorized to withdraw the money of the organization. Such bodies are apt to have internal quarrels, which are often long extended and bitter; and if there is any fund belonging to the organization, naturally this is a factor in the dispute. For instance, in a quarrel of this character, a fund of less than one hundred dollars belonging to a church society played an important part in splitting the organization into two factions, one of which withdrew and formed another church.

The bank should at all times be in position to say, in law, that it has exercised due care to ascertain who were the proper officers authorized to draw funds, and that payment has been made to them in due course. The proper procedure would be to require a resolution of the governing body designating the bank as depository and authorizing certain officers to open account and receipt for moneys. This authorization is sometimes provided for in the by-laws of the society; if not, a special resolution is in order. In the savings bank, most of the society accounts are with unincorporated organizations, whose financial operations are inadequately covered in the by-laws, and often more or less "slipshod." Before opening accounts of this kind it is well to have clearly expressed authority to do so, preferably by resolution passed at a regular meeting, certified to by the secretary. The proper officer is usually the treasurer, but frequently one, two and even three trustees (preferably two out of three) are required to sign with him; but too many names are not desirable on account of the difficulty in obtaining the signatures of all, if more than two are required to sign; but however this may be, in so far as the bank is concerned all it needs is specific direction as to who is authorized to draw the funds, and then to adhere strictly to its

SOCIETY ACCOUNT—ONONDAGA COUNTY SAVINGS BANK

FORM 1

NAME OF ORGANIZATION

Book No.

Page

This is to certify that the persons whose signatures appear on the reverse side of this card hold the offices indicated and are authorized under resolution adopted at a meeting of the above organization held to withdraw funds deposited to the credit of said organization in the Onondaga County Savings Bank.

Impress of Seal
(Use the other side)

President

Date

Secretary

When you change officers the Bank must be notified on blank forms provided for that purpose.

CERTIFICATE OF AUTHORITY TO DRAW ON SOCIETY ACCOUNT

SOCIETY ACCOUNT—ONONDAGA COUNTY SAVINGS BANK
FORM 2

For ourselves and the organization in whose name this account No. is opened, we hereby agree to be bound by the By-laws and Regulations of the Onondaga County Savings Bank, and all orders signed by us are to be binding upon the organization until the bank shall have been notified in writing of changes in officers affecting this account and the signatures of the new officials are properly recorded on its books.

*President.**Secretary.*

Impress of Seal here

*Treasurer**Trustee.**Trustee.*

Date

Trustee.

Only officers who will sign checks should record their signatures here.

SIGNATURES OF OFFICERS AUTHORIZED TO DRAW FUNDS. REVERSE OF FORM ABOVE.

contract. Such officers are changed frequently, and after once opening the account, it becomes necessary, from time to time, to determine who are the successors in office to those who are already recorded as being in position to receipt for the funds. In such cases authorization from the old officers,

SOCIETY ACCOUNT—ONONDAGA COUNTY SAVINGS BANK

FORM 3

NAME OF ORGANIZATION

Book No.

Page

This is to certify that at a regular meeting of the above named organization held it was resolved that an account be opened in the Onondaga County Savings Bank, in the name of the organization as above, and that funds deposited in the said bank may be withdrawn upon order signed by

(Here insert the titles as "the secretary and treasurer" and not names of persons) with the seal, and the said bank is hereby authorized to recognize the signatures of the above officers in making payments.

Impress of Seal.

President

Date

Secretary

AUTHORIZATION TO OPEN SOCIETY ACCOUNT, DESIGNATING WHO SHALL DRAW FUNDS.

CHANGES IN OFFICERS, FORM 4

SOCIETY ACCOUNT—ONONDAGA COUNTY SAVINGS BANK

NAME OF ORGANIZATION

Page Book No.

ONONDAGA COUNTY SAVINGS BANK:

Please take notice that at a meeting of the above named organization held 19 the following changes were made in our officers.

President in place of

Secretary in place of

Treasurer in place of

Trustee in place of

Trustee in place of

Trustee in place of

Secretary

President

~~This form must be filled out and returned to the Bank before any payments are made on the account.~~

NOTIFICATION OF CHANGE IN OFFICERS OF SOCIETY

certifying to the election of their successors and giving the signatures of both, is a very helpful feature. No savings bank is safe in dealing with an organization of this kind without some such protection.

WITHDRAWAL—SOCIETY ACCOUNT

Page.

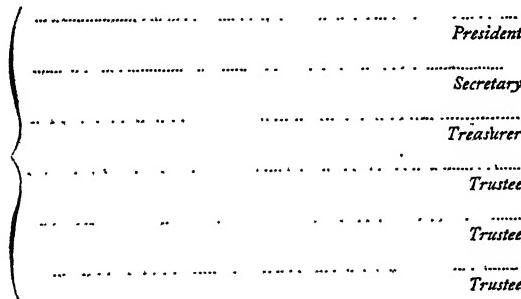
Syracuse, N. Y., 19

Onondaga County Savings Bank.

Pay or bearer,

..... Dollars, \$.....
100Name of Organization
.....

SEAL

~~Do~~ Only officers authorized to draw funds should sign.

WITHDRAWAL FORM, SOCIETY ACCOUNT.

THE DANGERS OF SOCIETY ACCOUNTS.

The dangers attending society accounts are well illustrated in the following case which happened in New York:

The bank had been dealing with the treasurer of the society for a number of years and had come to know him

**Information for Associations desiring to open an
account with the Dollar Savings Bank of
the City of New York**

Associations wishing to open an account with a Savings Bank, should file with the Bank a certified copy of their By-laws, if the By-laws give authority and direction for opening an account. If the By-laws do not give such authority, a suitable resolution should be adopted at a regular meeting, recorded in full upon the minutes, and a certified copy handed to the bank. A blank form is attached on the following page, giving the resolution required in such a case, and furnishing a form for the Secretary to fill out. The Bank will need on one of its signature cards, the signatures and addresses of those appointed to open and take charge of the account.

The Treasurer of the Association should be authorized to open the account and make deposits and withdrawals, or three members should be appointed custodians of the account, two out of the three being required to draw. If three members are appointed, they should be permanent, and be chosen irrespective of whether they are officers or not. When a change of those in charge of the account becomes afterward necessary, the Association should pass a resolution making the change. Blank forms may be obtained at the Bank.

by sight. Frequent drafts were made on the account, and the account was finally closed, the order apparently being regular and properly signed, with the seal attached. The treasurer explained that the organization had changed its seal, which accounted for the appearance of a new seal on the order. His power to draw had been revoked, but he had made several drafts, nevertheless, having had a seal made for the occasion; and the bank having been persuaded to pay upon this false statement was brought into court to test its position. The mere fact that the seal had been changed should have incited further inquiry and elicited a certificate from the old officers as to the changes, both in the official staff and the seal.

In the forms herewith given it will be seen that provision is made for such notification and it is most desirable that such authorizations be on file with the bank, which should be kept together in numerical sequence for ready reference when payment is required.

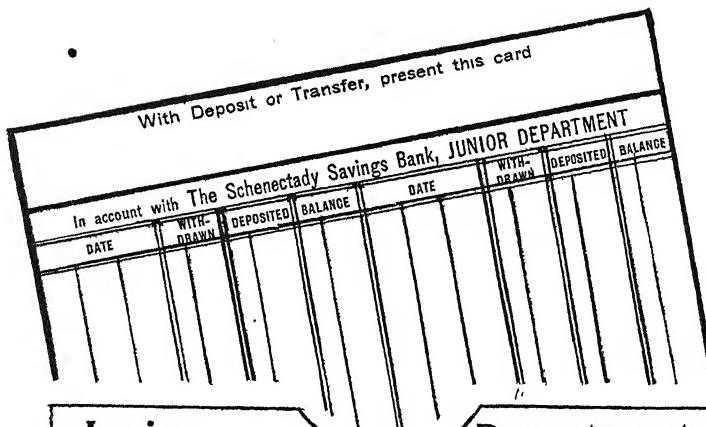
CHAPTER XXXIV

SCHOOL SAVINGS BANKS

THE MAN AND THE IDEA.

If, as the Sage of Concord observed, "every great institution is the lengthened shadow of a man," the school savings bank (now nearing its half-century mark in this country), is the lengthened shadow of the late John H. Thiry. It is, like many of our good things, an imported idea, Mr. Thiry being a native of Belgium, and the system here is modeled after that in use in France, Belgium and Germany. Mr. Thiry early became impressed with the extravagance of the American children, and concluded rightfully, that improvidence in youth means improvidence and perhaps poverty in old age; and if habits of thrift are not learned in youth the chances are against their acquirement later in life. He sought a remedy, and found that it lay in one of two (or both) places, the home and the school room. Being a trustee of the public schools of Long Island City, to which place he had retired after a successful career in New York as a dealer in old and rare books, he naturally turned his attention to the school as the most likely medium. The school teaches other things —why not thrift? was his argument. He found no difficulty in gaining the consent of his fellow trustees to try the experiment. It succeeded; and for twenty-five years Mr. Thiry was the school savings bank's best friend, its ardent and constant advocate and its only statistician,† even copyrighting his forms so as to keep in touch with those who would use them. Wherever it has been given a fair test, it has not only succeeded, but has won the admiration of all. The school savings bank is now so firmly established as a part of the educational system in so many places that any attempt to argue its desirability as a part of the child's education would be idle. It has received the endorsement of educators, statesmen and bankers in all parts of the country. It has become

† Country-wide statistics of school savings banks are now compiled by the Savings Bank Division, American Bankers Association.



Junior Department

THE SCHENECTADY SAVINGS BANK, Cor. State & Clinton

Open every day in the year, except Sundays and Legal Holidays, between 9 o'clock A. M. and 3 o'clock P. M., and for **DEPOSITS ONLY**, every FRIDAY NOT A HOLIDAY, between five and eight o'clock P. M.

As often as the 5 cent or larger deposit reaches \$1.00, transfer is made to regular pass book on interest.

Order for any amount less than \$1.00 must be endorsed by Parent or Guardian.

Please keep your envelope and card from being soiled.

Deposit tickets may be had at the window with "JUNIOR" sign.

DEPOSIT CARD AND COVER, SCHOOL SAVINGS BANK.

NO. x985

Schenectady, N. Y., 19

THE SCHENECTADY SAVINGS BANK
Transfer ONE DOLLAR to Interest Bearing Account
Name

Junior Department

Junior No. By

TRANSFER ORDER, SCHOOL SAVINGS BANK.

an integral part of the operation of a large number of banks, who regard it not only as good philanthropy and good advertising, but also good psychology. It is the cheapest and most effective medium ever devised to bring the bank and the child together, not forgetting that the home is also part of this contact. Unquestionably the Christmas Club is the most effective medium for bringing people steadily into the bank, for these deposits must be made over the counter; and while the school bank does not answer the same purpose, it establishes the connecting link early in life and in the formative years of the child's training. It has been specifically legalized in several states, among those being New York, New Jersey and Massachusetts. In many villages and cities the enrollment of a goodly number of classes is one hundred per cent. The Board of Education of the City of New York has endorsed it to the extent of having a school savings bank system of its own and operating in practically all public schools.

HOW A SCHOOL SAVINGS SYSTEM WORKS.

The "Educational Thrift Service School Savings System" is now operating in over 400 towns and cities in thirty-four different states. Each child has his own pass book. Tuesday morning of each week is bank day in each school room. Entry is made in book by pupil or teacher, and carbon copy bearing printed account number is torn out. Pass book is returned to pupil and taken home; coupons and cash are placed in an envelope and sent to principal, who places envelopes in a bag, locks it and sends it to bank. That is all; the school is then finished with banking until the following week, when the same process is repeated. At the bank the accounts are kept on the coupons by a substitution-posting system. The balance sheet is segregated into units of 200 accounts each, which automatically confines errors to limited areas and provides the maximum of speed and accuracy. Nothing is left to chance.

The system will operate in one bank, or two or three banks, or all banks, depending on local conditions and desires. Deposits may be any amount from one cent up; it is equally adaptable to the child of poor parents who is struggling to form a valuable habit with a penny a week, and to the more fortunate or ambitious one who is depositing ten and twenty

dollar bills. The pupil who deposits a penny does so in exactly the same kind of pass book as the one who deposits \$50.

It requires but ten minutes each week of the teachers' time, and expects no bookkeeping knowledge or ability from them. They keep no records of any kind. At the bank an automatic double-check operates on each teacher's envelope and each coupon. None of these systems has ever failed to get its monthly balance to the cent. No money or other thing of value (such as stamps) is ever kept in the school overnight. A lost pass book means simply the issuance of a new one by the bank.

A membership button in the School Bank Club of America is given to each pupil in a room when that room has enrolled all its pupils as depositors. This is announced on the back of the large bank-day-tomorrow card which is furnished to each school room. A handsome school savings banner is furnished to each school to aid in stimulating the percentage of depositors. A weekly summary is mailed to each principal each week of the relative standing of the various schools, based on percentage of enrollment depositing. Schools are provided periodically with bulletins, varied in size and appeal, to be posted in rooms or halls or the principal's office. Letters are sent to teachers, both regarding thrift generally and regarding special questions and problems in school banking.

Over 2,000,000 school children are operating savings accounts in "Educational Thrift Service," making more than 1,200,000 deposits every week; and during the past eleven years they have deposited more than \$50,000,000.*

*Data furnished by Educational Thrift Service, New York.

CHAPTER XXXV

INSURANCE ON MORTGAGED PREMISES

The whole proposition of keeping the records pertaining to insurance on mortgaged premises resolves itself into having a record of each policy and the details connected therewith, properly classified according to expiration dates. This record may be kept by the card system or the bound book. The classification is quite generally by date of expiration, as this is the most important feature of the record and the one which permits a ready division. If the card

Mr		Name	No.
EXPIRES			
		Address	
Policy No		Property	
		Company	\$
		Broker	

PATENTED MAY 25, 1867

LIBRARY BUREAU ARBOUR

INSURANCE RECORD.

system is used, a card is made out for each policy, and filed under its expiration date, first under the year, then the month and the day, and it is an easy matter to see that each day's policies are in hand before the time limit expires. If the bound book is used (or loose leaf ledger) a very good arrangement is to have a sheet for every day, numbered from 1 to 31, with index tabs to indicate the division of the book into months. The usual data taken is: Name of as-

sured, amount of policy, company, agent, street and number, policy number, loan number, and date of expiration; the latter *always* being the first item listed.

The rules regarding insurance differ. Some banks will accept any policy issued by a reliable agent, while others will accept policies only in designated companies. A few banks insist upon the policy being written by their own broker, a practice which does not generally obtain and is not to be commended. The fairest rule, both to the bank and to the borrower, would seem to be, to accept a policy in any reliable company, and a list of companies acceptable to the bank may be given to the borrower as a guide in placing the insurance. Some banks even go so far as to keep a record of the amount of insurance in force in each company, so as to scatter the risks among many companies.

Notice may be given to the borrower or to the broker, a week or so in advance, that a certain policy will expire on a certain day, and if not replaced will be written at the direction of the bank; but notice to either is not obligatory and does not as a rule obtain; the bank may proceed to protect itself under the terms of its mortgage as soon as the old policy lapses.

It is important that every policy have a "mortgagee clause" making the insurance first payable to the bank in case of loss by fire. In large banks, where the loans number up into the thousands, this is very important—in fact, in every case of a mortgage loan it is quite essential—for fires are frequent and losses are constantly being paid that would not come to the notice of the mortgagee were it not for this clause, which necessitates drawing the check to both the mortgagee and the borrower, thus requiring the endorsement of both before payment can be made thereon. And only by withholding its endorsement until the property is replaced in its original condition can the mortgagee assure itself that fire losses do not imperil the loan. It is also important that any changes in title, alterations and other factors that affect the nature of the risk be noted and steps taken to alter the policy accordingly, as soon as the facts become known.

CHAPTER XXXVI

FINGER PRINT IDENTIFICATION

In identifying depositors, savings banks thus far have depended upon signatures and test questions. Some banks rely solely upon the former, except in the case of illiterates and foreigners, when the test questions are taken. It would seem that one who can write a passable signature and



COMPLETE IMPRESSIONS OF THE FOUR FINGERS OF A RIGHT HAND.

Note the peculiar designs on the finger tips, as compared with the almost uniform dark lines across the first and second joints. The former are the finger prints proper, which are used for identification.

The white lines are furrows; the black lines ridges. The wide white lines are flexures or folds of the skin. These being subject to changes, are of but little value for identification purposes.

answer the questions relative to a man's family history would be, by that token, the owner of the book; but a perusal of the cases wherein savings bank matters have been

litigated, or the reading of current savings bank history, will demonstrate that this test fails frequently.

In the well-known case of Wall vs. Emigrant Industrial Savings Bank, cited elsewhere, the impostor knew all these facts, and in the case of Kenny vs. Harlem Savings Bank, Farley, the perpetrator of the fraud deceived the bank seven times. It is not a difficult matter to steal a pass book and by a little skillful maneuvering obtain all the data necessary to pass the usual test. Especially is this true of foreigners, who are coming to our shores in a steady stream, and are rapidly becoming a factor to reckon with in savings bank

<p style="text-align: center;">I hereby agree to be bound by conditions printed on reverse side.</p> <p>98537</p> <p><i>Josef his mark J.m.</i></p>	
<p>Residence <u>225 Eagle St.</u></p> <p>Occupation <u>teamster</u></p> <p>Father's name <u>Wladyslaw</u></p> <p>Mother's name <u>Stanis lawa</u></p> <p>Name of husband or wife <u>Antonina</u></p> <p>Date and place of birth <u>Poland - 1872</u></p>	<p style="text-align: center;">FINGER PRINTS</p>

SIGNATURE CARD USED BY THE GREEN POINT SAVINGS BANK.

management; or, as one savings bank man puts it, "they came after the elusive American dollar, and by the looks of our lobby they are getting it." The most dangerous frauds are those perpetrated by members of the same family when all test questions are easily answered.

Some banks will not accept the money of illiterates, and in so doing they negative the very purpose of their existence. Were they not designed to care for the money of the masses—those who could not properly care for their own? And if they were created primarily as depositories for the poor and the ignorant, it is hardly fair to penalize a man's ignorance by refusing to take his money when he

appears with it. And yet, the bank is not called upon to take undue risks, and such it undoubtedly takes when it accepts the money of the man whose identity is hard to establish. These "Americans in the making" are not always easy to identify. They are clannish, often shrewd, and difficult to do business with without an interpreter, and cases are frequent where the book has been stolen by a boarder and the usual tests successfully passed and money obtained without great risk of detection. In one case, in opening an account for another (both Poles), the one depositing wrote his own name instead of that of the owner of the fund, and for five years the bank was dealing with



Made by same finger as first print in the
Green Point sample record



Made by the same finger as the first print
in the Williamsburgh sample record.

SPECIMENS OF ROLLED IMPRESSIONS.

one man having another man's name on his book. When payment was asked, it took a long time to get the matter adjusted. A Finger Print test would soon have demonstrated they were different people.

There is but one sure test of identity, and that is the Finger Prints. These are not, as many would suppose, mere smudges of black, but "steel engravings" wrought on the tips of the fingers by the Almighty, as distinctive as the lathe work on a ten-dollar bill and as lasting as human life. No man ever writes his name *exactly* twice alike; but he carries a signature on his finger tips that *never changes from the cradle to the grave*. According to the English expert, Galton, the chances of exact duplication are one in *sixty-four billion*.

They are no new discovery, for the Chinese have used them many years, and in police work everywhere, finger print identification has long been used as a sure means of identifying criminals. In its adaptation to savings banking, it is, however, a comparatively recent innovation.

It is not necessary to know the technical side of Finger Prints in order to use them successfully, but it is highly

desirable to know how to take a good impression and to know something of the terminology of the system.

It is not my purpose to go extensively into this subject, which opens up a world of its own, but to recommend the

SIGNATURE CARD USED BY THE WILLIAMSBURGH SAVINGS BANK

474277		I hereby agree to be bound by conditions printed on reverse side.
AMOUNT	<i>Patrick McCabe his mark</i>	
\$ 100	Elisabeth. McCabe	
Age 52	Birthplace Co Clare Ire	
" 45 "	Tyrone "	
Residence 246 No 7 th St		
"	d.	
Occupation Carpenter	As Joint Tenants either to draw	
" Wife	Survivor to take all	

REVERSE OF FORM BELOW.

We, the undersigned depositors, in THE WILLIAMSBURGH SAVINGS BANK, for ourselves, our executors, administrators, and assigns, respectively, hereby assent and agree to be bound and governed by the By-Laws and Regulations of THE WILLIAMSBURGH SAVINGS BANK, in the Borough of Brooklyn, City of New York, relating to deposits in said Bank, an abstract of which is printed in the Pass Books issued by said Bank.

FINGER PRINTS



FINGER PRINTS

system to any bank desiring a quick and perfect test of identity. It does not require an interpreter at the window and has none of the annoying features that attend transactions with those who cannot speak English. The apparatus is exceedingly simple: A printer's roller, a slab of glass and a tube of quick-drying ink constitutes the outfit. In taking an impression, the glass is slightly inked and the three fingers* of the right hand are pressed lightly upon the glass, and then upon the paper. When properly done, the result is a clear-cut, steel-engraving-like effect, which can be as readily compared as a signature, and much more safely. In fact, tellers working with both Finger Prints and signatures express a preference for the Finger Prints, as the easiest and quickest read. A little benzine on a small sheet of tissue paper with a few drops of wintergreen to take away the odor cleans the hands in a moment, and twenty seconds will record the print and clean the hand.

It has been the aim of those interested in the Finger Print System to devise a plan whereby the soiling of the hands may be avoided, and at the present time two companies are putting out finger print apparatus which requires simply the placing of the fingers on a sensitive plate, then on the paper, and the brushing of the surface with a black powder on the tip of a camel hair brush, and spraying with an atomizer, which fixes the impression. The fingers are not soiled in the least by this method, nor is the depositor aware that he is having his prints taken—an obvious advantage in some cases.

The test questions should also be taken in Finger Print accounts, in case it is impossible (as it sometimes is) to get a good print when the depositor returns with calloused hands.

*Index, middle and ring fingers.

CHAPTER XXXVII

INTEREST ON MORTGAGE LOANS—TAXES

Mortgage loan investments form the principal assets of the mutual savings banks of this country, and the interest on these investments is the largest item in their earnings. As a matter of fact, the greater part of the profit which attends savings banking comes from such investments on account of the higher rate that usually obtains thereon. Bond investments taken as a whole for a series of years, will rarely show any great profit over and above the interest paid to depositors. The low income on bonds, together with the shrinkage in values which takes place at times, has made bond investments a perplexing question, and many bankers are now buying bonds only when the mortgage limit is reached.

In a canvass of this question, made some years ago by the Committee on Methods and Systems of the American Bankers Association, Savings Bank Section, it was found that the loss through mortgage loans is a negligible quantity, and the experience of banks in all parts of the country in this regard has been eminently satisfactory. For instance, a bank in Vermont placed a million dollars a year for thirty years in Western farm mortgages (a line of investment which requires careful study and accurate knowledge of economic conditions, with more than ordinary care and judgment) without the loss of a single dollar and usually at good rates. For such reasons mortgage loans are particularly favored by savings bank men, and form the principal investment feature of the business.

Having properly placed the loan with a safe margin, and obtained insurance running to the bank, the next thing in order is to periodically collect the interest. Some institutions, particularly in the large cities, make it a point to notify all borrowers about one month prior to the due date of the interest, but this is not obligatory and in some institutions does not obtain. Mortgages are usually taken with interest falling due at uniform dates, although a few banks have the interest

RECEIPT

No. 8978 Brooklyn, N. Y.

Received from mortgagor named below,

Forty - - - - - Dollars, \$40.
six months interest to June 1st, on bond for \$1600.

GREEN POINT SAVINGS BANK

MANHATTAN AVE. Cor. Calyer St.
BROOKLYN, NEW YORK
OPEN DAILY FROM 9 TO 3.
SATURDAYS 9 TO 12 NOON.
MONDAY EVENINGS FROM 5 TO 6.

A. B. Debtor
362 First Ave.,
Brooklyn, N. Y.

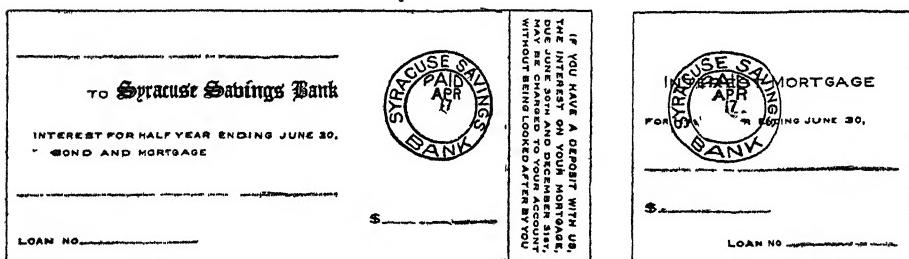
B

No. of Mortgage	8978	Date Paid
Interest paid to June 1st		Received by
Amount rec'd.	Forty - - - - -	Dollars, \$40.
Amount of Mortgage	- - - - -	\$1600.

DPLICATE FORM OF INTEREST RECEIPT. THE THREE FORMS ARE MADE AT ONE TIME BY CARBON PROCESS. "A" IS THE NOTICE WHICH GOES TO THE MORTGAGOR IN AN "OPEN FACE" ENVELOPE; "B" IS THE INTEREST RECEIPT WHICH IS TORN OFF, AND DATED AND STAMPED WHEN INTEREST IS PAID; "C" IS THE POSTING SLIP. USED BY THE GREEN POINT SAVINGS BANK OF BROOKLYN, AND A MOST EFFICIENT SYSTEM.

fall due every six months from the date of the mortgage, which necessarily complicates the computation of the accrued interest and cannot be recommended, for it is much better to have all interest falling due at the same time. The interest, of course, is figured on each loan at the rate stipulated, and quite commonly the receipts are made out in advance of the time of payment, so that all that needs to be done when payment is made is to date and sign the receipt. Stubs are generally used which, when detached, become the credit tickets.

In order to collect interest promptly several banks have a very excellent plan of fines. Thus, all bonds are written at, say five per cent., with the stipulation that if the interest is not paid before a certain date (as January 10 and July 10) the interest will be collected at the legal rate, which places a penalty upon tardiness and rewards promptness.



INTEREST RECEIPT WITH STUB.

How well this works may be seen from the fact that in a bank with over four thousand mortgage loans, all but about fifty are collected before the penalty accrues. The procedure of a large bank, which features mortgage loans will exemplify how efficient the work of collecting interest can be made. The interest on all mortgages falls due January 1 and July 1. Prior to those dates the interest on each mortgage loan is figured and set down in lead pencil. Receipts are made out for each loan under number and borrower's name, with stub. These are checked back, both as to name, number and amount, and are then sorted alphabetically and arranged in pigeon holes. The collection is made at a designated window where nothing else is handled during the ten days' rush. Careful count is made of the number of payments each day and at the close of the period (July 10 and January 10) the number of receipts on hand, plus the num-

ber of payments made, must equal the total number of open mortgages.

Shortly after July 10th and January 10th, a list is made up of the interest paid, *as shown by the ledger accounts*, which must agree with the interest received, as shown by the income account, which proves the postings to have been correct. The total of the interest paid, plus the interest unpaid, as shown by the receipts on hand, is the amount of interest that was due on mortgages at the close of the semi-annual period. Thus:

Interest received on mortgage loans,			
June 15—July 1	\$10,582.59	Number of Items	567
July 1-10	90,872.69	Number of Items	1175
<hr/>			
Total as shown by mortgage ledger	\$101,455.28	Total Items	1742
Total unpaid interest as shown by receipts on hand.....	7,896.59	Number of Items	170
<hr/>			
		No. Mortgages,	
Total interest due July 1	\$109,351.87	verified by count	1912

A clerk busies himself posting interest to the ledgers as fast as it comes in, the only check on this work being the aforesaid trial balance. Unpaid interest is listed, the mortgagor notified and every effort made to collect; and that which is not collected within a reasonable period is placed in the hands of the attorney for collection or foreclosure.

A carbon system for the handling of mortgage interest, that has many features to commend it, is in use in several banks. Three sheets are used and the work is done on the typewriter. The forms are so arranged that one writing makes the three impressions in the proper places. Form 1 is the notice to the depositor, Form 2 is the receipt which is given him when payment is made, and Form 3 is the posting ticket. This is a very workable plan and saves much labor. The Addressograph is also used in some banks for sending out interest notices, where the number of mortgages is large. This also is a time saver. This system is in use in the Greenpoint Savings Bank of Brooklyn, N. Y.

TAXES.

The most important collateral features connected with mortgage loans are the insurance and taxes. The property should at all times be adequately covered by insurance, the policies running to the bank with mortgagee clause attached. This is treated elsewhere. The payment of taxes is important, owing to the fact that taxes are a prior lien to a mortgage and should not be allowed to jeopardize the interest of the mortgagor. There are three methods of keeping track of unpaid taxes: First, to require the presentation of the receipted tax bill at least once a year. This is quite commonly done in New York City, and both the city and water tax bills are shown each year to the bank officials. Notation may be made on the ledger account or other record that taxes against the property have been paid to a certain date. Those remaining unpaid are followed up until payment is made or other measures taken to protect the bank. The second method is to have a tax search made at stated times. This is done for a nominal fee by title companies in large cities or can be obtained from the tax office. The third method is to wait until the list of unpaid taxes is published, as is the practice in many places, when the list of mortgages is checked with these lists and the taxes either paid by the bank and charged to the mortgagor, or steps taken to compel the owner to make payment himself. Those remaining unpaid at the time of the sale are usually paid by the bank, and proper receipt taken which becomes a charge against the property, and if not redeemed will in time give the bank a tax title to the property. Whichever method obtains it is important that taxes are not allowed to accumulate against mortgaged premises.

CHAPTER XXXVIII

INSOLVENCY IN THE SAVINGS BANK

The depositor who steps to the teller's window and hands in his money, taking therefor a pass book, may think he becomes a mere creditor of the savings bank and that the bank owes him so much money as is represented by his pass book credit; but he is mistaken. In a certain sense the bank does owe him the money; not as a creditor, however, but rather as a partner.

He may also be under the impression that he has left his money for safekeeping and the pass book is his receipt; and in this, to a certain extent, he is correct; but in law he has become more than a mere creditor and the bank more than a mere bailee or debtor. They have joined forces, and he has said, in law, "take this money, combine it with that of other people; invest it according to law. Out of the earnings first pay the expenses of administration, and give me the balance as interest in proportion to my contribution thereto."

If he is a wise depositor, he will also add, "but before paying me my interest, reserve enough as surplus to fully protect me from losses of all sorts"; and to this he should add, to be technically correct in his attitude, "and if losses accrue which could not be prevented, and you, the managers, have not been remiss, I will hold you harmless and bear my share of the loss." If he but knew this, he might hesitate to "join the bank" and prefer to go to some other institution where he would become a simple creditor, with the stockholders' liability added to the capital and surplus, as his protection.

Cases are on record in a number of states where depositors have not only suffered loss by reason of unforeseen happenings, but where the officials have stolen the money and the theft could have been prevented by more careful methods; and yet the courts have placed the burden on the depositors.

That the depositor is a *partner* is borne out by the definition of partnership in the Standard Dictionary, to

wit: a partner is "one who takes part or is associated with others"; and a partnership, "an association founded on contract (in this case the pass book) between two or more persons to combine their money, effects, labor, skill, or any or all of them in lawful commerce or business and to *share the profits and bear the losses in certain proportions.*"

PARTNERSHIP TESTED BY INSOLVENCY.

The ordinary method of winding up the affairs of an insolvent institution is to appoint a receiver, assemble the assets and distribute the same among creditors. In some states, where a bank is insolvent, the banking department takes charge and liquidates the bank, in a manner similar to a receiver, but avoiding the expenses attendant upon receivership. In a savings bank, however, the procedure is often different. We find several instances of insolvent banks rehabilitated by the simple operation of scaling down the liabilities (deposits) by charging each depositor his pro rata share of the loss, thus making the liabilities equal to or less than the assets. Two cases of this sort appeared some years ago in Massachusetts. The assets of the Marblehead Savings Bank depreciated to such an extent that it became necessary to either liquidate or charge the depreciation to the depositors. The bank was placed under temporary injunction in June, 1904, and reopened its doors August 15, 1907, having neither received nor paid out any money to depositors during that time. This was, of course, not a "scaling down" of deposits, strictly speaking, or charging off the loss, but rather *suspending payment*, and using the funds without interest obligation until the deposits automatically increased by their own increment, to the point of solvency. The cost to the bank was \$3,480.15 in expenses, and the depositors lost but the interest in the interim —namely, $10\frac{1}{2}$ per cent.

On January 30, 1909, the Bank Commissioner for Massachusetts advised a similar procedure for the Greenfield Savings Bank, whose real estate loans had become unproductive, seriously impairing the earning power of the bank. Operations were therefore suspended until such time as the investments again became productive. The bank resumed business on April 1, 1913, and the assets and business were turned over to the trustees for their management.

On the opening day the bank was prepared to pay its depositors the full amount of their deposits as they stood on the books at the close of the bank in 1909, and in addition to that, from the funds realized in settlement of the suit against the former board of investment, a dividend of 3 per cent. on their deposits. The bank has paid dividends at the rate of 4 per cent. a year ever since it reopened for business in 1913.

During the year 1910 a scaling of 25 per cent. was made in a case in Maine (the losses were due to stealings on the part of the treasurer), and in another Massachusetts case a scaling of 15 per cent. was made for losses due to like cause.

The same process has obtained in the case of the Windsor Locks Savings Bank, Windsor, Conn., which was restrained from paying out any funds or dividends for a period of three months from January 27, 1912. The bank re-opened on April 27 under Court order, the directors having scaled the deposits 26 per cent. The bank was authorized to pay depositors 50 per cent. of their claims at once, and out of over 1,600 depositors but 228 drew the full allowance on the opening day. The deficit of \$147,369 was due to thefts on the part of officials. The bank was subsequently placed in the hands of receivers, who paid the depositors in full, with interest.

The first savings bank in New York to be so restored, *not by suspension of dividends*, but by directly charging the depositors their share of the losses, was in the case of the Oswego City Savings Bank, which occurred in 1879. The deposits in this instance were scaled 10 per cent., and the bank resumed and has prospered ever since. Since then the same process has been applied to the Chenango Valley Savings Bank, of Binghamton; the National Savings Bank, Buffalo (now out of existence), and the Ulster County Savings Institution of Kingston. The latter is a matter of court record, and the facts are as follows:

On or about September 17th, 1891, a defalcation of \$365,918.50 was discovered in the Ulster County Savings Institution, Kingston, N. Y., due to abstractions of the treasurer and assistant treasurer. The banking department thereupon began an examination, and upon discovering the true facts, the bank was closed and the matter reported to the attorney-general. Proceedings were instituted to dis-

solve the bank and a temporary receiver was appointed. The deficiency was less than 15 per cent. of the assets (\$2,474,-465.89) and permission was asked of the court to "scale down" each deposit in that proportion and resume business, rather than liquidate. The matter was presented under petition of depositors, showing that this was the universal desire on the part of depositors, and no depositor expressed any unwillingness.

Such a course was eminently sane, and would continue in existence an old and well established institution, whose success was frequently commented upon prior to that time, and whose life was in jeopardy solely through the peculations of its trusted officials, who were both sentenced to long terms in prison. It would be much cheaper in the end to thus charge off the deficiency, rather than go through receivership, as the latter process would necessitate calling in loans and mortgages, and work undue hardship upon borrowers. The question at issue was "Could this be legally done?" The court said, in reply to this question, "It has been the policy of this state for a long series of years to permit savings institutions, whose assets from any cause have shrunk below their liabilities, to resume business wherever it could be done upon a solvent basis, and this course has been uniformly * * * recommended by the banking department.

"In his report for 1883, Bank Superintendent A. B. Hepburn said: 'No one can make a study of the failed savings banks without perceiving how much better it would have been for depositors in many instances had the deposits been scaled so as to render the banks solvent, and they had been allowed to continue business. This department and the courts now have by law sufficient power over the tenure of office of savings bank managers to secure the removal of incompetent or unfaithful men. With the funds still in the hands of the trustees, under the direction of the court and subject to the supervision of the superintendent, the depositors would have realized much more money, and the expensive management and costly and interminable litigation which succeeds insolvency, as the night the day, would have been avoided. It seems that our courts now have the power to reduce each individual deposit to an amount sufficient to render an insolvent savings bank solvent, and authorize

the managers of the bank to charge against each separate depositor such amount.'

"The statute, which authorizes the institution of actions like the present, provides that 'the court before which such proceedings shall be instituted shall have power to grant such orders, and in its discretion, from time to time, to modify or revoke the same and to grant such relief and render such judgment as the facts or evidence in the case and the situation of the parties and the interests involved shall seem to require.'

"The power thus conferred seems to be sufficient to enable the court to make such orders and such disposition of the institution and its affairs as may appear to be for the best interests of the institution, its creditors and its depositors." Here follows one of the best expositions on the functions and relations existing between savings banks and their depositors to be found anywhere.

THE BANK AND ITS DEPOSITORS AS THE COURT SEES IT.

"Savings banks are quite unlike ordinary banks. Commonly, banks are business corporations, have stock and stockholders, and paid officers, and conduct their affairs with a view to profit. Their relation to their depositors is in no sense one of trust. They receive deposits, to be paid upon the check or draft of the depositor, without interest or addition. Their profits, if any, are distributed among their stockholders, and the losses fall upon them, and their property is subject to sequestration, at the suit of any creditor. A savings bank is an institution of quite a different character. Its relation to its depositors is in a large sense one of trust and confidence. It has no stock and no stockholders. Its depositors are not entitled to draw checks against it. It does not receive deposits to be paid upon demand simply, but for investment in securities, taken for the benefit of depositors. Its assets are held for distribution among its depositors ratably, and its losses fall, in like manner, upon its depositors. No creditor or depositor can, by diligence in the pursuit of any legal remedy, obtain any advantage over any other creditor or depositor. Its profits and its losses fall on each depositor according to his just proportion, and no depositor has a right in the distribution of its assets to obtain or receive his deposit in full at the

expense of the other depositors. The assets, after deducting necessary expenses, are held simply *as belonging to and as security for all depositors.* It would seem, therefore, that no depositor has any *just cause of complaint, if he is not permitted to receive his deposit in full, in case the assets are insufficient to pay all the depositors in full.* Nor would the trustees be justified in exhausting or even impairing the assets of the institution by payment in full of diligent depositors, and thereby leaving those who are less vigilant to receive a less sum than would be theirs if a just and ratable distribution were had. Under the circumstances, *the assets of the bank being held for all the depositors, and the losses sustained by all,* and there being no right in any depositor to insist upon the payment of his own claim in full at the expense of others, it is clear that *the loss already sustained may and should be thus distributed,* and the bank, if possible, permitted to resume business for the benefit of all depositors alike, that in the end each depositor may receive as much as possible.”*

Courts of equity in other States have exercised the power of scaling down deposits and authorizing the resumption of business. This was done in the case of the Newark Savings Institution (New Jersey), and the court said: “The depositors (in the absence of fraud on the part of the managers, from which personal liability would arise) have no recourse whatever for repayment of their principal or interest to anything, *except the general investments,* of the institution. * * * No depositor has, under the charter or in equity, a right to any particular security in hands of the institution more than any other depositor.”

In 1871 similar proceedings were taken in Connecticut. In this case the deposits were scaled twenty-four per cent., being deducted *by the trustees themselves,* and a joint resolution was subsequently passed by the Legislature ratifying their action. Action was afterwards brought by a depositor whose account had thus been reduced, to recover the amount deducted, and the Supreme Court, without giving any effect to the resolution of the Legislature, held that the action was lawful and proper and that the depositor could not recover. Like proceedings have been taken in New

*People v. Ulster County Savings Institution. New York Savings Bank Cases, p. 9.

Hampshire, where there is a statute authorizing the same. Again, in Massachusetts, in the case of *Lewis v. Lynn Savings Institution* (148 Mass. 235), the rule laid down in the Connecticut case was approved and applied. In this instance the court says: "But to the depositors themselves the undertaking of the corporation is that it will receive and combine the deposits, and manage and use them to the best practical advantage according to the judgment of the trustees, and give to the depositors in just proportion among themselves the benefit of such management. *There is no absolute promise to pay any depositor in full.*"

This process is now covered in New York and other states by statute. The New York law reads:

"Whenever the losses of any savings bank resulting from a depreciation in the value of its securities or otherwise exceed its undivided earnings and guaranty fund so that the estimated value of its assets is less than the total amount due its depositors, the Supreme Court may, upon the petition of the savings bank, approved by the Superintendent of Banks, order a reduction of the liability to each depositor therein so as to divide the loss equitably among its depositors. If thereafter the savings bank shall realize from such assets a greater amount than was fixed in the order of reduction, such excess shall be divided among the depositors whose accounts were reduced, but to the extent of such reduction only."

Enough has been cited in authority to sustain the contention that the relationship existing between a mutual savings bank and its depositors is of a triple nature, and that, while the depositor is a *creditor*, and a *beneficiary*, he is also a *member of a corporation*. Its gains are his gains; its losses are his losses. (See also Chapter XII, "The Bank and its Depositors.")

CHAPTER XXXIX

THE OPERATION OF A SAVINGS DEPARTMENT

The operation of a savings department, by whatever name it may be called in a commercial bank, may well be patterned after savings bank procedure. Such a department is essentially a little savings bank under the same roof as the parent institution. It should, therefore, follow established savings bank methods; first, because these methods have been tested and proven good; and second, because the public is accustomed to such practices. And inasmuch as these departments are now an integral part of the work of essentially all banks, a few suggestions as to the practical operation of such a department will not be out of place in this work.

The equipment necessary is as follows: First, there should be a set of rules governing the conduct of this department, which rules become the contract of deposit. A sample set of rules of the Blank National Bank, governing interest bearing accounts follows:

DEPOSITS.

"On making the first deposit, the depositor shall be required to subscribe to the rules and regulations governing the interest-bearing accounts in the Blank National Bank, and the signing of the signature card is such assent. If such subscription be not made at the time the account is opened, the retention of the book shall be deemed such assent.

"Deposits will be regularly entered in a pass book given the depositor, which shall constitute his voucher for the deposits and drafts entered therein; but the balance shown in the balance column is for convenience only and is not guaranteed until the book has been duly presented to the bank for balancing.

WITHDRAWALS.

"Withdrawals may be made personally or by order in writing, accompanied by the pass book, or by letters of at-

torney duly authenticated, and no person shall have the right to demand any part of the principal or interest without producing the pass book.

"All payments made to persons producing the pass book, with or without an order purporting to be signed by the depositor shall be deemed good and valid payments to depositors, and shall fully discharge the bank therefrom. Moneys deposited in interest bearing accounts will ordinarily be paid on demand, but the bank reserves the right at any time to require at least thirty days' previous notice of intended withdrawals; and the payment of deposits on demand shall not operate to waive the right to require such notice of withdrawal.

DECEASED PERSONS' ACCOUNTS.

"Upon the death of a depositor the balance due shall be paid to the legal representative, the bank reserving the right to make such payment of small balances as the circumstances warrant, upon receipt of satisfactory indemnity.

LOST BOOKS.

"In case of the loss or destruction of the pass book, immediate notice must be given to the bank in writing. A new book or payment of the amount due will only be made upon receipt of affidavit of loss and indemnity satisfactory to the bank officials.

DEPOSITS IN TWO NAMES.

"Deposits opened in two names 'payable to either or the survivor of either,' shall be payable to either party presenting the pass book, and upon the death of either, the balance due thereon shall be paid to the survivor.

"Deposits made in trust for another shall be payable to the trustee during life and any balance due thereon upon his death shall belong to and be paid to the beneficiary.

INTEREST.

"Deposits made on or before the tenth day of January and remaining in the bank until April 1st will be credited with three months' interest.

"Deposits made on or before the third day of April and

remaining in the bank until July 1st will be credited with three months' interest.

"Deposits made on or before the tenth day of July and remaining in the bank until October 1st will be credited with three months' interest.

"Deposits made on or before the third day of October and remaining in the bank until January 1st will be credited with three months' interest.

ASSIGNMENTS.

"No assignment of interest bearing accounts, in whole or in part will be recognized unless the bank shall have been notified in writing of such transfer.

DORMANT ACCOUNTS.

"Accounts on which no deposit or withdrawal has been made for a period of ten years shall be deemed dormant, and no further interest allowed. The entry of interest shall operate to prevent the account from becoming dormant.

NOTICE TO DEPOSITORS.

"Notices to depositors displayed in the banking room and published for two successive weeks, in a newspaper published in Blanktown will be deemed notice to each and every depositor respectively." . . .

Next in order come:

A. The pass book and its cover, with these rules printed therein. It should be the balance form, showing the balance at each transaction.

B. The signature card, 3 x 5, with test questions, such as age, residence, occupation, father's and mother's first names, place of birth, etc.

C. Deposit tickets of a distinctive color.

D. Withdrawal blanks, similar in color to the deposit tickets.

E. Index files to index all names.

F. Ledger cards 4 x 6, with date, deposits, drafts, balance columns.

G. Distribution sheets for deposits.

H. Distribution sheets for withdrawals.

I. Teller's proof of deposits and withdrawals.

J. Files for signature cards, index cards and ledger trays.

This equipment will suffice for a bank running upwards of 10,000 accounts. Assuming that the work is done at the regular tellers' windows, the following procedure will be found advantageous and work well: The new accounts are opened at the new account desk or window and turned over to the teller. The accounts run numerically and for each number there will be a signature card, index card, pass book and ledger card. Subsequent deposits are made as in the checking department, but the tickets are run up separately and constitute a credit to this department on the general ledger.

After being turned over to the bookkeeping force the tickets are grouped according to number. The accounts in this department are arranged into groups to expedite the trial balance process. Thus, numbers 1-1000 constitute a group or block. The deposits in Group 1 are entered on the distribution sheet for this group by number, name and, skipping a column, the amount. When the grouping has all been done the totals are made and the perforated part is detached and given to the general bookkeeper. The totals of the various groups should equal the deposits for the day.

As soon as the tickets are entered on the classification sheets, the postings are made *from the tickets* to the accounts, the cards disturbed being laid aside. The proving clerk then takes the distribution sheets and, turning to the card numbers, compares the name with his list and enters opposite the name the amount shown on the card. (If desired the old and new balances may also be entered on the sheet.) When all postings have been made the totals are compared with the detached portions in the hands of the bookkeeper and should agree. If error exists, merely placing the detached portion alongside the main sheet will show where the error occurred. The addition of the old and new balance column, with the difference between the two must also equal the total shown on the main sheet, thus proving the extensions.

Withdrawals are made as follows: The book is presented to the savings window, and compared with the ledger card. A withdrawal slip for the amount desired is made out and signed by the depositor. The signature is then compared with the signature card, and test questions asked. The withdrawal slip is initialed by the one making the comparison, and is sent with the book to the paying teller who enters the amount in the book and pays the amount. (The book entry

may be made by the bookkeeper and the signature card may be sent to the teller with the withdrawal slip for his comparison, where this is desirable. He does so, compares the book with the order and makes the payment.) The classification of withdrawals is made in the same manner as in deposits, and postings and provings are made in the same way. Closed accounts are marked on the classification sheets for statistical purposes, the signature and index cards being taken out of the active files and placed among the closed accounts.

Trial balances are taken monthly or quarterly, by blocks. Interest is computed and posted as described under the appropriate chapters.

TRIANGULAR METHOD

In the event that the bank wishes a more complete check upon the work, both of paying and receiving, and is willing to add to the overhead of this department, the methods pursued by some savings banks will be found helpful. In what has been termed the "triple-proof" method, the object is to prevent errors in the work at the window, and to correct such as have been made before the depositor leaves the bank.

In this method, the depositor is presumed to prepare his own deposit ticket and as a rule does so. He hands in the ticket with the funds called for to the first receiving window. The teller proves the money and checks with the ticket, enters the amount in the pass book and turns the book over to the journal clerk. Meanwhile the ticket goes to another teller. The customer has likewise moved on to the second teller. The journal clerk has a distribution sheet for each group of accounts, using a new sheet for each day. He enters the number of the account, the name and the amount on the appropriate sheet. He, of course, does not come into contact with the customers, nor has he the deposit slips. His sole guide is the pass book entry. The journal clerk then hands the pass book to the second teller who compares it with the deposit slip already received from the first teller. The customer identifies the transaction by giving name and amount deposited and receives his book.

It will readily be seen that the bank has a record of what was entered on the depositor's book, which amount he can be trusted to verify for himself. If desired, the first and second tellers may have teller's cash sheets on which the amounts are entered as a comparative proof with the journal clerk.

Where the foregoing method is used, the paying process may follow the general procedure as outlined in the first mentioned plan. If a more complete record be desired the process may be as follows: The depositor appears at the bookkeeper's window and hands in his book. The book is compared with the ledger and posted to date. The withdrawal slip is made out for the amount desired, the signature compared, test questions asked and the name and amount entered on a teller's list. The book may then go to a second teller who enters the item on the distribution sheet as provided in the deposit plan above. The book and check then go to the paying teller who pays the amount. The distribution could be made after the paying teller has paid the money over to the journal clerk who verifies the amount and makes the entry on the distribution sheet and then hands the money to the depositor.

THE UNIT SYSTEM.

The unit system contemplates handling both receiving and paying operations at the same window. The customer may go to any window where the line permits of prompt service, and the teller, therefore, handles whomsoever may appear before him. The better way, insofar as savings operations are concerned, is to divide the tellers by group numbers, so that the customer always goes to that window which handles his number. Owing to the large number of savings depositors, an alphabetical division, as obtains in commercial banks using the unit system, is not to be recommended. The advantages of this idea are that it distributes the work evenly among the tellers, avoids waiting at the window and permits the customer and the teller to become personally acquainted by reason of the frequent contact. This avoids the constant reference to signature cards. The groups are so arranged that each teller has as fair a proportion of the work as can be given him. The older groups will contain more numbers than the newer accounts, inasmuch as the new accounts are the more apt to be active.

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